



Luxury train
ride through
Russia's ruins
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running on
empty
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France: where
to stay, what
wines to buy
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FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND JULY 10/JULY 11 1993

D

Serbian leader orders release of jailed opponent

The release of jailed Serbian opposition leader Vuk Draskovic and his wife, Danica, was ordered yesterday by Serbian president Slobodan Milosevic. Doctors had warned that Mr Draskovic, who has been on hunger strike, could be hours from death. The decision to free him came after pressure from western leaders. In the Bosnian capital, Sarajevo, the first cases of typhus and 700 cases of dysentery were reported. Page 24

Riddle of Romanov remains is solved: British scientists said bones found in Yekaterinburg, Russia, were almost certainly those of the murdered Tsar Nicholas II and his family, thought to have been shot in 1918 after the Bolshevik revolution. Genetic fingerprinting tests, including comparison with a blood sample from Prince Philip, a direct descendant of Tsarina Alexandra, showed "almost a 99 per cent probability" that the bones were those of the Romanovs, the researchers said. The remains were brought to Britain by Russian scientist Dr Pavel Ivanov who also helped in the identification process.

Sevastopol claims: Russia's parliament claimed control of the Ukrainian city of Sevastopol, base of Russia's Black Sea fleet. Ukraine said the move was "tantamount to a declaration of war". Page 24

González wins support: Spanish socialist leader Felipe González won a parliamentary vote of confidence confirming him as prime minister for a fourth consecutive term. Page 4

Deportation upheld: A US immigration panel upheld a deportation order against Sheikh Omar Abdel-Rahman, the Muslim fundamentalist Egyptian cleric whose followers have been charged in two New York bombing conspiracies.

South Lebanon clash: Three Israeli soldiers died when Moslem fundamentalists fired more than a dozen rockets at four frontline posts along the Israeli-controlled south Lebanon buffer zone.

Call for adoption reports: Junior health minister John Bowis called for a report on the case of an Asian woman and her white husband who were said by social workers to be too "racially naive" to adopt a mixed race child.

German chemicals merger: Leading German chemicals groups Hoechst and Schering are merging their plant protection divisions in a venture with sales of some DM3.4bn (£1.33bn). Page 12

Jail siege ends: A siege by more than 70 prisoners at Scotland's modern Shotts maximum security jail near Glasgow ended peacefully. Two prison officers were being treated in hospital, one for stab wounds and another for a back injury after the disturbance.

Energy move: Electricity regulator Prof. Stephen Littlechild is proposing that electricity distributors spend £1 a year on energy efficiency for every customer as part of a package of price controls. Page 24 and Lex: London shares, Page 15

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Hong Kong talks inch forward: Britain and China agreed to make faster progress on their talks about Hong Kong's political development, foreign secretary Douglas Hurd said after talks in Beijing with Chinese leaders. Page 3

India shuts nuclear plants: The Indian authorities ordered the successive closure of all nine of the country's nuclear pressurised heavy water reactors. The decision to inspect the sites came after experts reported on a fire at Narora plant near Delhi in March. Page 3

STOCK MARKET INDICES		STERLING	
FT-SE 100	2643.2 (-2.7)	New York Lintime:	1.481
Yield	4.02	London:	1.481
FT-SE Eurostoxx 100	1220.56 (-4.83)	DM	2.58 (1.4955)
FT-AE Share	1411.46 (Same)	DM	2.58 (Same)
Nikkei	15,977.39 (+18.72)	FF	8.6875 (8.6573)
New York Lintime	15,977.39 (+18.72)	SFR	2.2575 (2.265)
Dow Jones Ind Ave	3617.46 (+3.04)	Y	162.5 (Same)
S&P Composite	447.88 (+0.78)	Z Index	60.8 (60.9)
US LINTIME RATES		DOLLAR	
Federal Funds	2.13%	New York Lintime:	1.7215
3-mo Treas Bils: Yld	3.065%	DM	1.7215 (5.79)
Long Bond	106.5	FF	5.899
Yield	8.641%	SFR	1.5325
LONDON MONEY		Y	162.5
3-mo Interbank	6% (Same)	London:	1.721 (1.7045)
Life long fut: Sep 1071 (Sep 1073)		DM	1.721 (5.79)
NORTH SEA OIL (Argus)		FF	5.899
Brent 15-day (Aug)	\$17.51 (18.59)	SFR	1.5325
Gold	\$392.3 (395.6)	Y	162.5
New York Comex (Aug)	\$392.3 (395.6)	Z Index	60.8 (60.9)
London	\$392.3 (395.6)	Tokyo close Y 198.33	

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Bank intervenes to bolster French currency as Balladur says it will not leave EMS

Franc falls closer to ERM floor

By Alice Rawsthorn in Paris and James Blitz in London

THE BANK of France yesterday intervened on foreign exchange markets to support the franc after the currency again came under heavy selling pressure inside the European exchange rate mechanism.

Yesterday's intervention was the first by the French authorities in nearly five months, and came on a day of very strong selling of other European currencies by international investors who sought to buy D-Marks.

Mr Edouard Balladur, the French prime minister, tried to allay concern about the franc by affirming that his government was "totally determined" to maintain the stability of the French currency within the European monetary system.

The prime minister, who had on Thursday denied rumours that the franc would leave the EMS as "farical", said French authorities would use "every available means" to support the franc given that monetary stability was critical to his administration's economic

Currencies, Page 13

and social policies. But there was a strong impression in financial markets last night that the franc could face another round of speculation next week unless the Bundesbank cut its short-term interest rates, a move that would help France to ease its monetary policy and stimulate its economy.

Yesterday's intervention by the French authorities was said to be discreet, with the Bank of France

buying only small quantities of francs.

The operation failed to stop the franc falling below FF3.40 to the D-Mark, little more than 3 centimes above its ERM floor of FF3.433. The franc closed in London at FF3.389, compared

NEWS: THE G7 SUMMIT

□ Talks go Clinton's way □ Jobs become priority □ Few crumbs for Russia □ EC determined on trade

Uruguay Round deal 'top priority'

By Peter Norman, Economics Editor, in Tokyo

THE world's leading industrial countries yesterday threw their weight behind a new effort to reach agreement on liberalising international trade by the end of this year and called on other trading nations to make comparable efforts.

At the end of this year's economic summit of the Group of Seven leading industrial nations, the European Community, the world's largest trading group, said it was "determined to show leadership" to secure a completion to the long-stalled Uruguay Round of multilateral trade negotiations.

In their final declaration after the summit, the G7 countries - the US, Japan, Germany, France, Britain, Italy, Canada - and the EC said that their "highest priority" was a successful conclusion to the Uruguay Round.

Similar declarations have been made after past summits. But this time, the leaders were able to anchor their aspirations in the progress towards a market access package that was achieved earlier this week in Tokyo by negotiators from the Quad group of countries - the US, EC, Japan and Canada.

The G7 statement welcomed the market access package to reduce and, in some cases, eliminate tariffs on industrial goods and trade towards opening markets to services as a "major step to the immediate resumption" of the trade talks.

In their statement, the leaders urged comparable market opening measures by other trading countries and declared that they were determined "to curb protectionism in all its manifestations". They gave explicit backing to the world's multilateral open trading system, saying countries should not have recourse to initiatives and arrangements that threaten it.

Sir Leon Brittan, EC trade commissioner, said he would go to Geneva on Monday to tell other trading nations about the progress on market access in the hope of being able to relaunch the Uruguay Round negotiations. European governments are especially keen that the fast-growing economies of Asia join in the market opening exercise.

Sir Leon said that if the EC received substantial offers of market opening measures, it would respond in kind.

He said the negotiators of the Quad agreement had made progress towards liberalisation measures other than the specific tariff cuts listed in Wednesday's agreement.

Japan, for example, had improved its offer to open its market to foreign financial services but the EC would ask it to go further. Sir Leon said the US, in offering to cut its tariffs on imported high-quality textiles, had offered only about half of what the EC had demanded, but this was a "substantial downpayment".

This week's progress on trade was welcomed by individual G7 leaders. Mr John Major, UK prime minister, said it was "clearly a significant step". Mr Helmut Kohl, the German chancellor, said the progress on Gatt was "encouraging".

Even France, the most reluctant G7 participant in the trade liberalisation process, gave the week's trade developments a guarded welcome. There was "real progress in terms of procedure", President Francois Mitterrand said, though only "small openings" had been achieved in Tokyo.

The G7 said a successful and rapid conclusion of the Uruguay Round would "boost the confidence of investors and consumers, and this would be an important contribution to recovery and growth".

In their final statement, the G7 leaders expressed great concern that more than 23m are unemployed in their countries. The statement listed desirable structural reforms to reduce barriers to jobs and growth.

The US president got most of what he wanted

Clinton claims summit success

By Jurek Martin in Tokyo

IF OFFICIAL hyperbole is taken at face value, each head of government personally made the Tokyo summit a resounding success.

Mr Miyazawa, a charming host, broke the logjam in the market access talks by throwing whisky on to the table. Messrs Mitterrand, Kohl and even Major toughened the words condemning Serbia and Croatia. Mr Ciampi had a lot to say about the Balkans and the Middle East, and Ms Campbell engaged the US on beer. All, except possibly Messrs Kohl and Mitterrand, who like a little ceremony, agreed future summits should go back to their simpler roots.

But it was President Bill Clinton who came to Tokyo with most to lose and who is leaving it with most gained. The extent to which summit play in Peoria or the other end of Pennsylvania Avenue may be debated but it is hard to deny the case, advanced by every administration official round the clock, that he got most of what he wanted.

Mr David Gergen, the new presidential counsellor and designer of a skilful and disciplined US public relations exer-

cise here, yesterday cited the following achievements.

● The market access agreement, a priority identified by Mr Clinton several weeks ago, at least makes possible successful completion of the Uruguay Round. Failure here would have made the Tokyo summit a laughing stock.

● On the economy, for the first time since 1980, a summit communiqué did not implicitly criticise the US for not tackling

Clinton's intelligence and charm were well received

its deficit problem. This legitimises Mr Clinton's argument that growth and jobs - matter most, with more Japanese fiscal stimulus and lower European interest rates tools to be used along with US deficit reduction.

● The lack of jobs is now on the international agenda, with Mr Clinton's structural unemployment autumn conclave the next forum for debate.

● The great focus of Mr Clinton's foreign policy, sustaining

Russian reform, has been endorsed with the \$3bn (£2bn) privatisation programme, achieved in spite of European and Japanese reservations and lack of resources.

● Finally, the president's preference for summits with less formality and more talk has taken hold. As far as can be ascertained here (heads of government are terribly discreet about other members of the club) Mr Clinton's intelligence and charm were well received and he "interacted" to good effect.

Even the inability to conclude here a framework for negotiating trade disputes with Japan can hardly be described as a "failure", given Japan's pre-election political state. Indeed US officials were more than usually careful to keep expectations low, so that if one did emerge it could be portrayed as a "victory".

Mr Clinton goes on from here to Korea and a short break in Hawaii before flying back to Washington, where the temperature has been cracking 100 degrees. The political heat back home, with critical budget divisions looming, will be even higher, probably making Tokyo's mildness and harmony soon a distant memory.



WRAPPING IT UP: Mr Miyazawa reads the closing summit statement yesterday

Yeltsin fails to win better access to \$3bn fund is mostly recycled

By Leyla Boulton in Tokyo

PRESIDENT Boris Yeltsin yesterday failed to extract from leaders of the world's seven richest industrialised nations an end to "discrimination" against Russian exports but expressed satisfaction with a \$3bn fund to support Russian privatisation.

Having said all along that his main task at the summit was to gain better access to western markets, the Russian leader admitted afterwards that his biggest disappointment was that "in response to my energetic urging" they answered "yes, yes, we understand but it is difficult to solve this problem".

Mr John Major, the UK prime minister, said, the Russian leader recognised the need for his country to make more progress with market reforms - for instance, in getting rid of some of the "extraordinary subsidies they have there" - in order to claim the same treatment as members of Gatt, which Russia has applied to join.

The G7 economic declaration simply promised yesterday to support Russia's application to the General Agreement on Tariffs and Trade and to "intensify" efforts to remove cold war restrictions on sensitive exports to former communist countries.

Mr Andrei Kozyrev, the Rus-

sian foreign minister, confirmed that plans were afoot to transform Cocom, the Paris based watchdog for sensitive exports to former communist countries, into an agency, including Russia, to prevent the proliferation of weapons of mass destruction.

Describing the new privatisation fund as "the most concrete result of the summit", Mr Yeltsin said he was also pleased at having been treated as an equal by the G7 leaders, who invited him to attend their summit next year in Naples.

"You understand, there was not this atmosphere of a student being taught by teachers ... but one of equality and mutual respect," he said. He

added he was in no hurry for the G7 to become the G8 but he was sure it would happen with time.

Mr Yeltsin promised his Japanese hosts that he would "definitely" pay an official visit to Japan in October despite cancelling twice in the past year. But he said he had warned Mr Kijich Miyazawa, the prime minister, against expectation of fast progress in retrieving the Kurile Islands, seized by Soviet troops at the end of the second world war.

He said Japan should co-operate more in assisting economic reforms so that Russians will live better and be more relaxed about a solution of the territorial question.

By Leyla Boulton

THE \$3bn (£2bn) privatisation fund offered to President Boris Yeltsin by Group of Seven leaders yesterday is the latest illustration of the numbers game being played by the west to demonstrate support for Russian reforms without digging too deeply into its pocket.

Last-minute help from the EBRD enabled the fund to be pushed up to \$3bn.

In the multilateral organisation's defence, they have been hard pressed to spend money pledged so far, given the inefficiency of the Russian bureaucracy and the country's lack of market mechanisms for distributing funds to newly privatised companies.

and equity investment from the European Bank for Reconstruction and Development, and \$100m from the International Finance Corporation, the World Bank's hard loans arm.

Of the additional \$500m in technical assistance only \$125m from the US was openly stated to be new money.

Last-minute help from the EBRD enabled the fund to be pushed up to \$3bn.

In the multilateral organisation's defence, they have been hard pressed to spend money pledged so far, given the inefficiency of the Russian bureaucracy and the country's lack of market mechanisms for distributing funds to newly privatised companies.

Economic communiqué focuses on worries about jobs and growth

Unemployment 'sapping our strength'

Following are extracts from the Group of Seven economic communiqué issued in Tokyo yesterday:

□ STRENGTHENED COMMITMENT TO JOBS AND GROWTH

1. Progress around the world towards democracy and open market economies surpasses our most optimistic expectations of only some years ago. To reap full benefits of recent historic transformations, our societies must respond to a number of challenges: achieving economic recovery and job creation, successfully concluding the Uruguay Round this year, integrating countries in transition into the world economy, supporting developing countries and reconciling global growth and environmental objectives. We are determined to address these challenges. We renew our commitment to extend international co-operation, in particular by strengthening multilateral institutions.

□ WORLD ECONOMY

2. We are concerned about insufficient growth and inadequate job creation in our economies.

3. We are particularly concerned with the level of unemployment. More than 23m people are unemployed in our countries; that is unacceptable. Much of the recent increase is attributable to the present economic slowdown, but a significant part of the current level of unemployment is structural. Reducing unemployment, therefore, requires a double strategy: prudent macroeconomic policies to promote non-inflationary sustainable growth, and structural reforms to

improve the efficiency of markets, especially labour markets.

4. We are taking and will take appropriate measures to implement this agreed growth strategy to promote a sustainable expansion designed to create substantial increases in employment. We will consult closely so that our national policies can be mutually reinforcing and compatible with our shared goal of a strengthened and recovering world economy.

Europe is carrying out vigorously the Growth Initiative agreed in Edinburgh and strengthened in Copenhagen. Europe is committed as a matter of overriding importance to implementing firm budgetary and other measures needed in order to ensure that conditions for rapid reductions in interest rates are created.

In North America, strong actions, which have been long overdue in the US and which we welcome, are being taken to ensure substantial and steady reductions in fiscal deficits over the medium term, higher level of domestic savings and investment, and lower long-term interest rates.

Japan has taken a series of stimulative policies including the most recent comprehensive package. Japan will implement fiscal and monetary measures as necessary, to ensure sustained non-inflationary growth led by strong domestic demand, keeping in mind the need for long-term fiscal prudence. This will contribute to the important goal of significantly reducing external imbalances.

Successful and rapid conclusion of the Uruguay Round will also boost the confidence of investors and consumers, and thus will be an important contribution to recovery and growth.

5. To enhance opportunities for employment and growth it is essential to address structural issues which constitute obstacles to strong economic recovery and to longer-term growth potential. In this context, we endorse the report of our finance ministers focussing on a broad range of structural reforms, *inter alia*:

- Greater labour market efficiency;
- Improvement in education and training;
- Enhancement of savings and investment;
- Maintaining and improving the multilateral trading system;
- Reduction of subsidies;
- Addressing the economic impact of ageing populations;
- Controlling overall outlays on health care;
- Enhancing efficiency in financial markets while ensuring their stability;
- Developing international co-operation on the environment.

6. We agree to send representatives to a meeting in the US in the autumn to explore the causes of excessive unemployment and to search for possible answers to this critical problem which saps the strength of our societies.

□ TRADE

7. Maintaining and expanding the multilateral trading system is essential for world growth. We are deter-

mined to curb protectionism in all its manifestations and agree that no recourse should be made to initiatives and arrangements that threaten to undermine the multilateral open trading system. We also confirm that any regional integration should be complementary to and supportive of the system. Our highest priority is a successful conclusion to the Uruguay Round.

□ ENVIRONMENT

8. Environmental issues remain a high priority on our policy agenda despite difficult economic times.

□ RUSSIA AND THE OTHER COUNTRIES IN TRANSITION

9. We reaffirm our support for the reform efforts in the countries in transition, based on the principles of help for self-help and partnership.

10. We welcome the further progress made by Russia since Munich in its courageous reform efforts under the leadership of President Yeltsin and supported by the Russian people in the recent referendum. We urge Russia to intensify its efforts to reduce inflation and the budget deficit, and to take all the necessary legal and administrative measures to build on the strong start in privatisation and to promote further structural adjustment. We recognise the importance of improved market access for economic progress in Russia.

Recognising that privatisation and enterprise reform are at the heart of Russia's transformation into a market economy, we agree to create a Special Privatisation and Restructuring Programme, in co-operation with interna-

tional financial institutions, consisting of enterprise restructuring support, technical assistance and oblast support, focusing on an initial period to the end of 1994. In total, this programme is expected to mobilise \$3bn. In addition, we are ready to encourage our private sectors to assist in this process, sharing with Russian counterparts methods and techniques to increase productivity.

11. We welcome the progress made in the nuclear safety programme agreed at the Munich Summit. Urgent safety measures, co-ordinated through the G24, need to be implemented rapidly to secure real improvements at the plants still causing great concern.

□ DEVELOPING COUNTRIES

12. We will pursue a comprehensive approach, covering not only aid but also trade, investment and debt strategy, and a differentiated approach, tailored to needs and performances of each country and taking environmental aspects into account.

□ INTERNATIONAL CO-OPERATION AND FUTURE SUMMITS

16. We value summits for the opportunity they provide to exchange views, build consensus and deepen understanding among us. But we believe summits should be less ceremonial, with fewer people, documents and declarations, and with more time devoted to informal discussion among us, so that together we may better respond to major issues of common concern. We intend to conduct future summits in this spirit. We have accepted the invitation... to meet in Naples, Italy, in July 1994.

Leaders react to changing agenda

By Charles Leadbeater in Tokyo

THE G7 leaders left the summit with an economic agenda markedly different from their gatherings in the 1980s.

In the 1980s the enemy was inflation. In Tokyo their main economic concern was structural unemployment.

To promote long-term growth they will seek to co-ordinate in reforming labour markets, social security and health care systems. In the 1990s their main focus was co-ordinating their fiscal and exchange rate policies to promote growth.

There has also been a marked change of tone. Regulation to liberalise markets is no longer the overriding goal. The finance ministers report recommended action to promote training, control health care spending and to limit the risks of financial deregulation. They even said there was a place for income policies.

President Bill Clinton's idea of a jobs summit was warmly welcomed. Ms Kim Campbell, the Canadian prime minister, enthused: "It will be a think-tank of experts to generate ideas about problems of employment in post-industrial societies. These are problems we all face."

Mr Carlo Ciampi, the Italian prime minister, echoed Mr Clinton's observation that "old economic equations" were being broken by new production technologies. Mr Ciampi said: "The enterprise system in industrialised societies is being changed by new ways of combining labour and capital, which requires our workforces to adjust to the future."

But the summiters' concerns extended beyond unemployment, to its consequences for social security and health care. There was a consensus that in these areas reforms were needed to cut costs. Last-minute help from the EBRD enabled the fund to be pushed up to \$3bn.

Mr Clinton explained: "The French economy in the 1980s was very strong in every sphere but unemployment. Even when they were chugging along with high growth they could not get unemployment down below 9.5 per cent. All these countries in Europe are facing low population growth, an ageing population, and within 10 years they will have only two people working for every person who is retired."

Mr Ciampi put the consequences this way: "We all have to spend less by spending money better. There is widespread concern in Italy about the cost of health care and pensions."

Ms Campbell remarked: "Canada has the second highest health care costs in the G7. We should consider the effects of the way we deliver health care without reducing services."

Japan has low unemployment, but it faces a rapidly ageing population and very low growth in its workforce. Mr Kijich Miyazawa, the prime minister, implied the consequences for government finances could be sweeping: "We are facing a turning point. We shall soon have to review the tax system as a whole."

The political implications of the need for structural reform were drawn out by Mr Kenneth Clarke, the UK chancellor. He said that the German and US plans to reduce their federal fiscal deficits had set a new standard for consolidating public finances which others, such as Britain, would have to follow.

In a world of change, the Japanese remember their manners

JUREK MARTIN revisits his old haunts in Tokyo

THE only constant in life these days, Bill Clinton says with every sentence, is change. The question for this correspondent, who has not lived in Japan for seven years, is whether Tokyo has suffered some kind of mutation.

The powers of observation this week have necessarily been limited. Summits are all about massaging journalists with briefings 36 hours a day, all because everybody reporting

from Tokyo, except the Japanese themselves, have bizarre deadlines. But escapes from the cocoon were possible.

Physically the capital has long been in a state of permanent flux, even without earthquakes. The nice, rickety, three-bedroom house not far from the Diet that was home for four years is now another anonymous office building.

The vast Komatsu earth mover perched on top of a building in Akasaka has been replaced by an even larger Spanish galleon. At least that

seemed to be the case late one night, but neither was there next morning. Probably both were holograms, since there appears no commercial market for Komatsu galleons these days and tractor sales are not what they were. Possibly the Japanese, anticipating zero tariffs on imported distilled spirits, have started adding interesting hallucinogens to the home-grown product.

The good things of Tokyo certainly have not changed. A return to a much-loved little neighbourhood restaurant was like the warmest of second homecomings - and the menu and the prices, in yen, much as they were. A favourite bar was like an old shoe. The Foreign Correspondents' Club is still deeply politicising - but thinking of installing a marble floor.

At the Okura Hotel, as ever seriously discreet and distinguished, the western breakfast remains curiously inedible - and 15 times as expensive as the fry-up obtainable at any decent American roadside. It must be a work of Japanese art, or a non-tariff barrier, to render all eggs and all bacon without flavour.

The bubble economy has burst, but has left no mark on male clothing. A personal lunchtime survey of Kasumigaseki, where civil servants wait for the green light at crossroads, revealed a familiar sea of whiteness - to be precise, 94 of 100 shirts were solid or off white, five blue-ish, and one shocking pink with bright brown brogues (probably a Finance Ministry mandarin). However, ties are more colourful and the white sock count was down to 23.

There was one sign that things had changed. Traffic accidents used to be rare and minor, probably because vehicles do not go fast in jams. But the press bus from Haneda airport and a truck had a disabling shunt, at speed. Glass flew and the uniformed stewardess in the pill-box hat was cut. But it was all right in the end. The truck and the bus drivers, though shaken, did not scream and yell at each other or whip 44 Magnums out of the glove compartment. They apologised - to each other, to the police, to the backs, to the rubberneckers. Japan has not changed as a civil society.

قناة امم المتحدة

India orders closure of 9 N-reactors

By Shiraz Sidwa in New Delhi

INDIA's atomic energy board has ordered the closure of all of the country's nine nuclear reactors for an inspection of turbines, generators, and associated components.

The decision to close the nuclear plants one by one follows the recommendations of an expert committee constituted to investigate the cause of a fire at the Narora plant near Delhi in March.

A nuclear power plant in operation for the past two years at Kalpakkam, one of two in the southern state of Tamil Nadu, will be the first to be shut down, by July 31.

Mr A. Gopalakrishnan, chairman of India's Atomic Energy Board, said there was "no specific doubt about the operation of pressurised heavy water reactor stations in the country", but the decision to sequentially shut down the stations had been taken "as a matter of abundant caution".

The committee's report concluded that the Narora fire earlier this year, the first accident at a nuclear power station in India, had resulted from a rare combination of "fatigue failure" of two steam turbine blades and "deficiencies in the cabling system" leading to a loss of electric power supply.

The total loss of power and an unprecedented 17-hour blackout of the station could have been avoided if the board's earlier recommendations for segregating cables

and the provision of fire barriers had been followed.

The plant's safety systems had worked well, according to the report, which is why there was no leakage of radioactivity. "We want to be totally reassured that such a course of events do not recur in other power stations equipped with similar turbo-generators," said Mr Gopalakrishnan.

All nine Indian atomic power stations, which produce about 3 per cent of India's power, are equipped with turbo generators manufactured by the UK's General Electric Company and the Indian government-owned Bharat Heavy Electricals.

The Tarapur nuclear plant near Bombay is excluded from the shutdown because it uses enriched uranium-light water technology, and the board conducted a safety review at the station only recently.

Inspection and modifications, if required, would begin simultaneously at all plants, and are expected to take two to three weeks to complete after each plant is shut. Stations which are shut down for maintenance, like the second Madras station, will be similarly tested before being allowed to resume operations.

The government, which has denied charges by environmentalists that India's nuclear power programme does not follow international safety standards, plans to build as many as 15 more nuclear power reactors in the next 10 years, to ease the power crisis in the country.

Pakistan to boost enrichment plant

By Simon Henderson

PAKISTAN is planning to expand its controversial uranium enrichment plant at Kahuta near Islamabad in order to provide fuel for a nuclear power reactor being bought from China, according to senior Pakistani officials.

An expansion, the costs of which are being assessed by the government, could put an additional strain on Pakistan's relations with the US which cut off \$573m (£382m) of aid in 1990 because it thought the Kahuta plant had made sufficient highly enriched uranium for several nuclear bombs.

If Kahuta were to supply all the fuel needed for the 300MW reactor being built at Chashma on the river Indus, its output would have to expand considerably.

Dr Abdul Qader Khan, founder and director of the research laboratories at Kahuta, said in an interview in Rawalpindi: "We believe that by the time we have the Chinese reactor operational, we will have enough fuel to feed it." The reactor is expected to be commissioned in 1997.

He said the reactor would require low enriched uranium, containing about 5 per cent of the fissile isotope U-235, rather than the 90 per cent plus

needed in an atomic bomb. Natural uranium contains only 0.7 per cent of U-235.

Dr Khan rejected the suggestion that Kahuta was being used for nuclear weapons but acknowledged it could be.

"A knife can cut vegetables and a knife can kill human beings. So all nuclear plants and all chemical plants all over the world can be used, either for saving the human race or hurting them."

He said Pakistan would open its facilities for inspection if India, which exploded a nuclear device in 1974, did the same.

Dr Khan did show some conventional weapons that the laboratory makes including a Pakistani version with improved electronics of a Chinese shoulder-fired anti-aircraft missile, and an anti-tank missile also of Chinese origin.

Pakistani officials said some work on the latter weapon is being done with Chinese assistance at Golra, on the outskirts of Rawalpindi.

In 1988, Western officials said American satellite reconnaissance had identified a suspected clandestine enrichment plant at Golra. Dr Khan described this allegation as nonsense. The Golra site is the central mechanical and transport stores of the Pakistan army.

South Korea wary of US influence

By John Burton in Seoul

ON THE eve of President Bill Clinton's visit to Seoul, a senior South Korean official said yesterday his country should ultimately be responsible for solving North Korea's nuclear problem rather than the US.

"The denuclearisation [of the Korean peninsula] has to be realised through dialogue and consultations between South and North Korea," said Mr Han Wan-sang, the national unification minister, in apparent response to domestic criticism that Seoul is relying too much on Washington in trying to halt North Korea's nuclear weapons programme.

The issue is expected to head the list of topics to be discussed between Mr Clinton and South Korean President Kim Young-sam at the weekend.

The present crisis has set back hopes in Seoul that the problems of denuclearisation and eventual unification might be solved between the two Koreas without involving other regional powers, including the US, China, Japan and Russia.

"That has been considered a desirable goal from Seoul's perspective because it would symbolise South Korea's autonomy in deciding its own fate after a

century of being dominated by outside powers.

Besides relying on the US to intercede directly with Pyongyang, Seoul could see the issue slip further from its control if the UN Security Council becomes involved, which might include imposing economic sanctions on North Korea if it does not accept full IAEA inspections.

The Clinton visit, however, could counter criticism that Seoul is playing a secondary role, as the US president will be seen consulting the South Korean government on the nuclear issue.

In a face-saving gesture, Seoul is also proposing again that North-South talks should be held in parallel with the negotiations between Pyongyang and Washington. A previous attempt to stage inter-Korean talks on the nuclear problem collapsed over procedural issues.

Mr Han emphasised the importance of Seoul's position as an intermediary between the US and North Korea. "If North Korea gives up nuclear development and guarantees nuclear transparency, South Korea will be able to help North Korea actively to improve relations with the US and Japan," he explained.

UK and China edge forward over HK

Hurd talks to Beijing leaders, but few believe there is a quick solution in sight

By Simon Holberton
in Hong Kong and Alexander
Nicoll in London

BRITAIN and China have resolved to make faster progress in their talks about Hong Kong's political development, Mr Douglas Hurd, UK foreign secretary, said yesterday after holding talks with Chinese leaders.

In Beijing he said his discussions with Mr Qian Qichen, China's foreign minister, had been useful in clarifying how the two sides should proceed in future rounds of talks about elections due in Hong Kong in 1994 and 1995. Mr Hurd also met China's president, Mr Jiang Zemin.

"The tone and atmosphere of the meeting [with Mr Qian] seemed to me positive, it was entirely forward-looking and from my point of view, I hope his, the meeting was well worthwhile," Mr Hurd said.

The British foreign secretary gave no hint of a swift resolution to negotiations, saying that there would be further rounds after the eighth session which begins on July 20, and that he would meet Mr Qian in New York in September to review progress.

However, he indicated there



Hurd: Britain breathed a sigh of relief that communication is underway again

had been some progress in the last two rounds.

"There have been specific ideas, and that is important because the governor [Mr Chris Patten] and we all have

made it clear that we are ready to listen carefully to Chinese ideas on this matter."

It was understood that in the seventh round which finished this week China presented a

comprehensive proposal for the conduct of the 1994/95 elections.

British officials, while not necessarily agreeing with the shape of the proposal, never-

theless hoped that the Chinese move would advance the negotiations.

UK officials said the meeting with Mr Qian was a "really very positive exchange" which would boost the momentum of the talks and had increased confidence that, although there would be problems along the way, there would be an eventual agreement.

Mr Hurd, who said he was not visiting Beijing to make proposals or arrange a deal, stressed to Mr Qian that the election arrangements must be "open, fair and acceptable to the people of Hong Kong," and also that they should guarantee a "through train" to the next scheduled elections in 1999.

He referred to the so-called "functional constituencies" which make up part of Hong Kong's Legislative Council and to the composition of the election committee which will also elect some seats.

Last October's proposals by Mr Patten, vehemently rejected by Beijing, sought to increase democratic representation by broadening the electoral franchise of both.

The two men agreed to speed up work within the joint liaison group, which is charged

with negotiating the details of Hong Kong's transfer to Chinese sovereignty in 1997, and to quicken the pace of talks about Hong Kong's airport project.

Mr Qian told Mr Hurd that China had no objection to the first stage of a large land reclamation proceeding.

The foreign secretary defended pursuing a negotiated settlement with China by claiming that an agreement would secure the "prize" of a smooth transfer of sovereignty in 1997.

However Mr Yeung Sum, deputy leader of Hong Kong's United Democrats, said Mr Hurd's visit might have helped the talks along but his party was more concerned with their outcome.

"Aspirations for democracy must not be sacrificed just for the sake of agreement," he said.

The Beijing meeting confirmed that Mr Qian, who made a full member of the Chinese politburo last year, was in day-to-day charge of affairs related to Hong Kong.

There was relief among UK officials that Britain could at last talk to China about Hong Kong at a senior political level.



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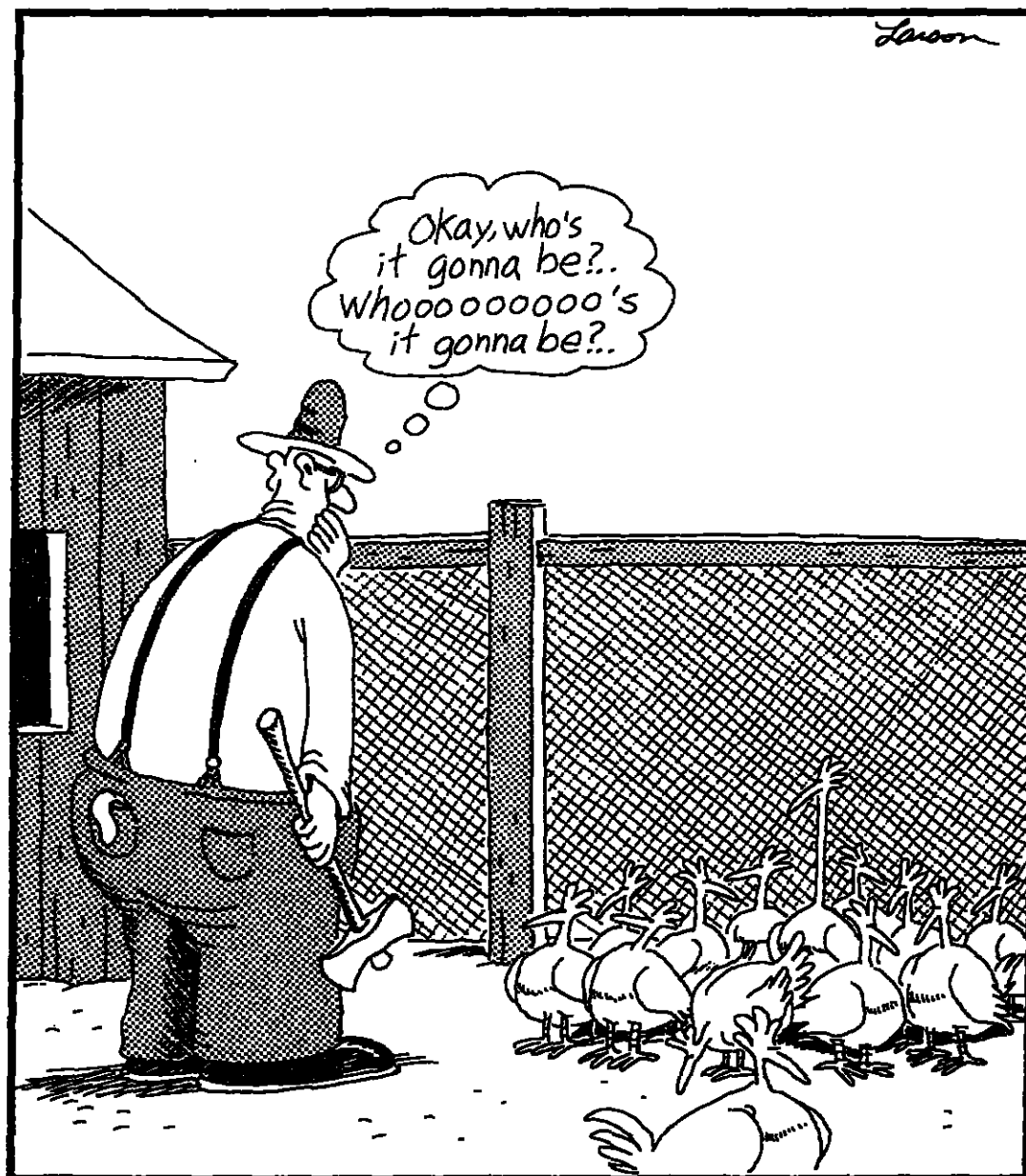
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NATIONAL SAVINGS

SECURITY HAS NEVER BEEN SO INTERESTING.

By John Lloyd in Moscow

The country's GDP had declined by 18.5 per cent in 1992 from 1991, he said, and inflation averaged 31.3 per cent each month in the past year, more than expected. Mr Gerashchenko said the consumer price index had risen 28-fold in the past year.

By David Gardner in Brussels

However, in a statement that the Irish ambassador to the EC was due to give Ireland's partners yesterday, Dublin makes clear that it will reject the share-out of the funds if it is not satisfied it has secured "an equitable outcome", when EC foreign ministers meet in Brussels on July 19.

"We don't want to be accused of holding up the timetable," an Irish official in Brussels said, "and there are sufficient signs of progress to lift the reserve." But he added that "if we're not satisfied, we're saying that on the 19th we're prepared to vote against the allocations then."

By George Graham

Mr Wasmosy will take office next month as Paraguay's first civilian president for 40 years.

**By George Graham
in Washington**

A report from the House of Representatives' natural resources committee identifies billions of dollars of potential government liabilities for problems such as hazardous chemical dumps and contaminated drainage at old mines in national parks and forests, as well as on lands run by the Bureau of Land Management.

**By Christopher Parkes
in Frankfurt**

Repeating that VW would break even this year after losses in the first quarter, Mr Piëch said 90 per cent of planned restructuring had already been instituted.

The report warns, however, that unexploded shells and bombs on former military firing ranges could end up cost-

By Tom Burns in Madrid

Mr González outlined his most liberal programme to date, pledging to decentralise power in favour of the regional autonomies - a priority issue for the nationalist parties - and said he would contain public spending and speed deregulation of the economy.



The CIU is seeking to negotiate a measure of fiscal co-responsibility between Catalonia and the central administration, which would be reflected in the

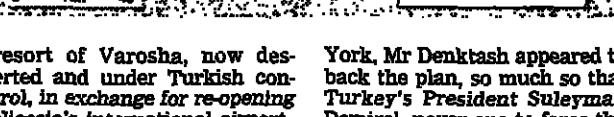
training and a former mayor of Barcelona before he joined the government, originally as defence minister - has close friendships with leading

Mr Solchaga's former ministry, which combined both economy and finance, is likely to split into two. Mr Gonzalez could switch agriculture minister Mr Pedro Solbes, a technocrat who is not a member of the Socialist party, to the economy portfolio and appoint Mr Oscar Fanjul, the respected chairman of Repsol, the public energy group, finance minister.

John Murray Brown on the surprise departure of the Turkish Cypriot leader

The man who once campaigned under the slogan "partition or death" remains, in the eyes of the UK and other permanent members of the UN Security Council, the main obstacle to a settlement.

Cypriot republic is recognised only by Turkey.
In Ankara, the Turkish general continues to support the



Both steps would be taken under UN administration. Abandoned in 1974 when the Greeks fled the Turkish advance, Varosha, with its hotel blocks and deserted beaches, remains a poignant symbol of the current stalemate and division.

Re-opening the international airport would be a further confidence-building measure, and give a considerable boost to tourist arrivals in the north. All of whom currently have to arrive via the Turkish mainland.

Leaving the talks in New

Mr Demitash appeared to pack the plan, so much so that Turkey's President Suleyman Demirel, never one to force the views of the Turkish Cypriots, publicly endorsed the idea. However, the maverick Mr Demitash - accompanied by Mr Eroglu - then travelled to Ankara, where he received a standing ovation from parliament, in rejecting the UN plan. Cyprus is still a national cause in Turkey but in Ankara impatience is growing with the progress of progress. Even Turkey's aggressively nationalist press is complaining of the open-ended commitment to Mr Demitash.

Cyprus has long been a big obstacle in Turkey's negotia-

By Roger Matthews

US efforts to block the military ambitions of both Iraq and Iran were underlined yesterday in Brussels when Mr Edward

Iran has been attempting to improve its international relations, particularly with the EC, in order to acquire the financial and technological aid needed to rebuild its economy after the eight-year war with Iraq.

IMF backs \$700m credit for Hungary

The proposed 18-month credit accord has been contingent on the Hungarian government acting to hold down a surging budget deficit. The authorities have increased value added tax with the measure passing parliament this week by a margin of 13 votes.

The prime rate in Canada reached a peak of 14.75 per cent in mid-1990. Its slide since then is largely due to the Bank of Canada's success in bringing down inflation to an annual rate of 1.8 per cent, a percentage point below that of the US.

Despite the cut in interest rates, the Canadian dollar remained steady yesterday at just above 78 US cents.

Taiwan's planned fourth nuclear power plant survived an attempt by opposition lawmakers to freeze its budget yesterday, Dennis Engbarth reports from Taipei. The vote will allow the island's state-run power company to accept bids for the \$6.45bn, 2000-megawatt plant.

Australian millionaire Paul Terry has been killed in a helicopter crash in Hawaii, Reuter reports from Melbourne.

Mr Terry, 45, whose net worth was estimated this year at A\$30m (£13.6m) had interests include a cattle stud, hotel and manufacturing company.

Work started yesterday on what will be communist Vietnam's most modern road - a 10-lane, 19km highway around the southern side of Ho Chi Minh City, the country's main commercial centre. Reuter reports from Hanoi.

The \$242m roadway will be built by Phu My Hung corporation, a joint venture between Taiwan's Central Trading and Development Corporation and Pan Thuan Industrial Promotion Company, owned by a people's committee.

100 BROS
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Oh well, just lie back and think
of... dinner.

*A choice of four leisurely courses
over three and half hours
or a lighter meal over a mere
60 minutes*

—

So you could stop here

—





Or go on

—

And on and on

—

*And to follow, may we recommend
a small slice of escapism*

You turn  your personal seat-back video. Looking  to your choice of  channels of entertainment, you let your mind switch .

Let's just try a few exercises.

CLUB WORLD
BRITISH AIRWAYS
The world's favourite airline

twists clockwise (gosh, is that the
time already?)

maybe I should just look at the
fingerprints on the wall.

AWOKEN by a gentle alarm call and, exactly when you ordered it, breakfast.

Eeni, Meeni, Miney or Mo



This seems to be a problem.
We just need to be more decisive
on this.

Congratulations. You've just flown
around the new Club World in 80 lines.

NEW SEAT AND VIDEO CURRENTLY AVAILABLE ON 60% OF AIRCRAFT

NEWS: UK

Export rules need reform, judge says

By Jimmy Burns

LORD JUSTICE SCOTT has written to business leaders, trade unions, government departments and members of the opposition seeking proposals for a reform of Britain's exports and licensing procedures.

The judge makes clear that he is considering making recommendations on such a reform as part of the report arising from his arms-to-Iraq inquiry.

Lord Justice Scott is understood to consider that current procedures are unsatisfactory, both in terms of government efficiency and democratic accountability.

He is questioning whether it is right that the government's control over the removal of goods from the UK still should be set out in the Import,

Export and Customs Powers (Defence) Act 1939. The Act was brought in during a time of war, but the Import and Export Control Act 1989 made it permanent.

In his paper the judge argues that although the act has "the merit of simplicity", it "is not associated with any prescribed procedure for parliamentary scrutiny or control".

He says: "It is understandable that in the terrible emergency of the outbreak of war, powers of this breadth which are not subject to any parliamentary scrutiny, let alone debate, should have been conferred on government."

But: "It is less understandable that, in peace time, such powers should be maintained... It appears to me, however, that the powers now permanent... are totalitarian in concept and in effect."

Although the full report is

not expected to be completed until early next year, responses to the judge's consultation paper are already being prepared for submission at the end of July.

The Confederation of British Industry said yesterday that the paper was being "taken seriously" and had been discussed by an ad hoc committee on export last month, although a formal reply had not yet been formulated.

The Department of Trade and Industry said last night that it was still studying the judge's consultation document.

Ms Elizabeth Symons, the general secretary of the Association of First Division Civil Servants, the trade union representing middle and high-ranking civil servants, welcomed the judge's initiative.

Free-wheeling Olympian, Page 8

TV advertising deals probed

By Raymond Snoddy

SIR GEORGE RUSSELL, chairman of the Independent Television Commission, is looking into complaints about the way advertising time is sold around News at Ten.

A number of advertisers are believed to have expressed concern about the nature of the package deals being done.

One significant advertiser which is interested in reaching up-market AB men and is particularly interested in the centre break during News at Ten, found its advertisements also being run during children's programmes.

It is not clear whether this occurred because of anti-competitive pressures or because of misjudgments by advertising agencies.

If advertisers were being required to buy slots around other programmes in order to get their advertisements accepted for the News at Ten centre break it would almost certainly be deemed anti-competitive, discriminatory behaviour.

A GROUP of Welsh Labour MPs yesterday called for the resignation of Mr Gwyn Jones, the former chairman of the Welsh Development Agency, as BBC governor for Wales.

In an early day motion the MPs, including Mr Rhodri Morgan (Cardiff West), and Mr Win Griffiths (Bridgend), condemned "the disastrous catalogue of mismanagement and worse" which was revealed in the report by the Commons public accounts committee on the agency.

Their motion notes that Mr Jones is chairman of the board of BBC Wales, as well as being a governor representing Wales.

The motion says: "The evidence of his defective steward-

ship of the affairs of the Welsh Development Agency from 1988 to 1993 renders him an unfit person to hold the same responsibility for the BBC in Wales."

The motion, in the names of nine MPs, calls on prime minister Mr John Major to demand Mr Jones' resignation from the post.

Mr Jones made it clear yesterday he had no intention of resigning from his BBC post. Friends said that Mr Jones planned to make a full statement soon on all the criticisms made about the agency during his stewardship.

It is understood that Mr Jones will be interviewed for BBC Wales and a number of newspapers.

The fact that most television advertising is bought in packages rather than individual slots makes it difficult to value a single advertising break or get a clear view of the negotiating tactics of buyers and sellers.

● Satellite dish ownership in

Britain rose by 48,000 in the month to April 24, according to the latest market research by GfK.

The market research group believes that by the later part of April 2.2m homes had satellite dishes. GfK believes that there will be a slowing down of satellite dish sales this autumn as a result of British Sky Broadcasting - a consortium in which Pearson, owner of the Financial Times, has a stake - moving all its channels into a subscription package, with the possible exception of Sky News.

GfK said: "We would expect some slowing down in the net rate of sale."

The company, whose research does not cover Northern Ireland, the Isle of Man or the Channel Islands, is projecting a total of 2.5m dishes by the end of the year.

Barb, the organisation which provides official television rating figures, estimates that at the beginning of this month there were 2.48m satellite-dish homes, compared with 2.44m a month earlier.

Increase recorded in house prices

HOUSE PRICES rose in the second quarter of the year in all regions, according to Halifax, the biggest building society, Scheherazade Daneshkhu writes.

The largest gain was in East Anglia, which showed a 5.1 per cent increase over the first quarter. The west Midlands recorded the lowest increase of 1 per cent.

The news comes after Halifax's monthly figures this week showed average house price falls for the second month. Unlike the monthly data, quarterly figures are not seasonally adjusted and reflect the stronger-than-expected rise in prices in April and the sharp fall which occurred in January.

Halifax confirmed that the underlying regional picture of house-price inflation "is perhaps not quite as buoyant as the figures would suggest" and said any recovery in the market would remain fragile.

The quarterly figures are lower than those for the same period last year in all regions with the exception of Northern Ireland and Scotland. Greater London, with a 5.1 per cent drop, saw the largest fall in the second quarter compared with the same quarter last year. Prices for the whole country dropped by 3.4 per cent.

Halifax predicts prices rising more steadily for the rest of the year to end at about the same level as they began.

Plans for Scottish water attacked

James Buxton, Scottish Correspondent

MR Ian Lang, the Scottish secretary, was accused yesterday of "going halfway down the road to water privatisation" with his plans for restructuring the Scottish water industry.

In Thursday's white paper on reorganising local government in Scotland, Mr Lang said that water and sewerage services would remain under public ownership and operation. They would, however, be transferred from the 12 regional and island authorities which own them to three new water authorities.

The white paper says the private sector will have a major role in providing and financing "much of the essential and large capital investment programme over the next decade" under the Treasury's new policy on private finance for public investments.

Mr Charles Gray, convener of the Labour-controlled Convention of Scottish Local Authorities, said yesterday that the government was taking the same path as that followed in the run-up to the privatisation of the water industry in England and Wales.

But Mr Lang said: "There is absolutely no need to move any further on water than we are going at the moment."

He gave few details on how the private sector would be involved with the Scottish water industry, which needs £5bn of upgrading over the next 15 years.

But he hinted that water treatment plants could be developed through build, operate, own and transfer schemes, under which private-sector companies would build, operate and own them, transferring the treated water to the water authorities.

Water industry analysts believe there will be a lot of interest among English and Welsh water companies in co-operating with the new Scottish water authorities.

Provided the investment in new plant was recouped through charges to the customer, it would be outside the public sector borrowing requirement, analysts believe.

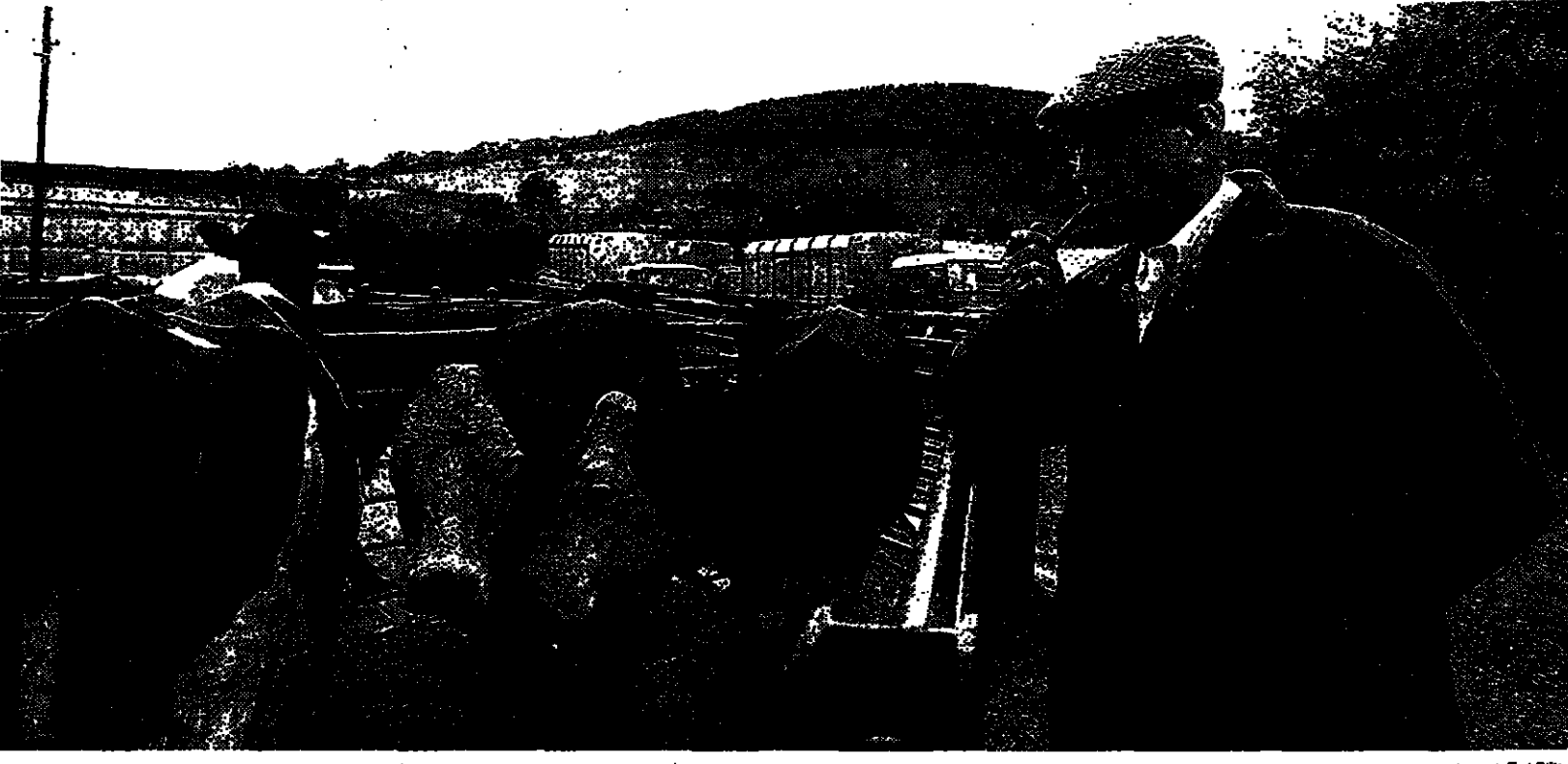
Mr Lang said the Scottish Office's plans were "still at an embryonic stage" and there would be further consultation.

Tory footsoldiers out of step with party

John Major is under growing pressure over his leadership ahead of the crucial Christchurch by-election late this month.

Pit closures, VAT on fuel and fears over law and order have all added to his problems.

Rachel Johnson visits two very different constituencies to gauge Tory grassroots support



Michael Jefferies, Conservative party agent in Brecon and Radnor, says Tories are disgruntled: "The presentation is appalling. They perceive John Major as weak"

"It's a bloody mess," said Rob. "Hopeless," agreed Harold. "They should have left Mrs T where she was," said Bill, moodily staring into his empty pint glass.

Predictable sentiments, perhaps, if from disgruntled Conservative voters.

But these were the voices of three Tory stalwarts in the blue-wallpapered Llandridno Wells Conservative Club.

Tory activists are getting restless. They see no reason why they should not air their complaints to anyone who will listen. For one of their biggest grouches is that the government doesn't.

The same message was brought home after three days spent in two very contrasting Tory constituencies: remote, hilly Brecon and Radnor, the vast, agricultural Welsh seat and Chertsey and Walton in plush suburban Surrey.

In Brecon and Radnor Mr Jonathan Evans nosed ahead of the Liberal Democrats by 130 votes after two recounts at the general election. In Chertsey and Walton Mr Geoffrey Pattie holds a majority of more

than 22,000 - making it one of the safest seats in the country.

The Conservative Association of Brecon and Radnor is losing supporters - 20, including one branch chairman and two treasurers in the past eight weeks. Chertsey's has seen attendance falling at the cream teas and barbecues so crucial for fundraising. And activists in both are showing signs of losing heart.

"The troops are pissed off," says Mr Michael Jefferies, a former policeman who is the agent for Mr Evans. "It all started with David Mellor and look at what's happened since. The presentation is appalling. They perceive John Major as weak. The miners' issue was a killer."

You will not, however, in either place hear a disloyal word spoken against their MP. Loyalty is particularly strong in Brecon and Radnor, a constituency famed for nail-biting three-way fights in elections.

"I'd die for Jonathan if he asked me to," says Mr Robin Gibson-Watt, the six foot eight inch tall Old Etonian game-man farmer who is chairman

of the local Conservative Association.

Such loyalty, however, does not extend to the prime minister.

"He's weak," says Mr Harold Nicholson, a local landlord who describes himself as a "Tory footsoldier". "Very weak. As bad as Ted Heath, one of the worst." He says Europe is still one of the big issues. His gripe was Maastricht and the drive to a federal Europe. "They're - closing creameries down here and Italy hasn't even got milk quotas," he says.

His neighbour, Mr Bill Griffiths, a beef wholesaler, is in despair because his local abattoir has failed to open for the second year running. And the European Community, he just ruled that the waters of the spa town of Llandridno Wells are unsafe and cannot be served, even though they are free, in the town's Pump Room.

VAT on fuel was another blow for a poor, sheep-farming community with a large proportion of retired people.

"We could have ridden out the uncertainty and inactivity

if we hadn't been walloped by these other things," says Mr Jefferies.

Mr Bob Shearn, an ex-chairman of the Conservative Association, says: "It's the worst time I can remember in 50 years. They [Central Office] just don't listen to people."

In Weybridge, in the heart of the Chertsey and Walton constituency, one does not hear quite such mutinous plain speaking. But the fact that one hears it at all in such a stronghold is just as telling.

Surrey is a rich commuter county - 35 minutes from London. Heathrow and Gatwick, bisected by the M25 - with emerald lawns, wide pavements and business parks. But it contains its share of shuttered fronts and for-sale signs.

In its way, Chertsey has had a worse recession than Brecon - where lamb-exporting farmers were delighted by the pound's exit from the European exchange rate mechanism in what they call Golden Wednesday.

Mr Geoffrey King, president of the Chertsey constituency, picks his words with care:

"The feelgood factor is very lacking. There is a fair spread of grouse at the moment, which I think comes back to presentation."

As in Brecon, there is perceived to be a John Major problem.

"The government is indecisive," says Mrs Rosemary Dene, Conservative councillor for Elmbridge. "We used to know where we were. We need good strong leadership."

Many say that old-time Conservatives are suffering. Mrs Audrey Kimmins, of the Conservative Political Centre, says: "The ones who have saved and given us their support are now just keeping their heads above water. Then they look down the road and see someone who's got all he can from the council and never done anything."

The newest bugbear is, as in Brecon, VAT on fuel. "There are little old ladies sitting on their own absolutely panic stricken," says Mrs Dene. Low interest rates have also had an impact as the return on savings has shrunk to almost nothing.

The Chertsey Tories are prepared to complain about policies and presentation. But they still say it is Mr Major who will turn the party's fortunes round and restore discipline.

"We must be firm," says Mr Martin Brady, treasurer of the Conservative Association. "We are running the country, and an awful lot is coming right. And Major's the best man for the job."

In Chertsey there is a sense that, bar a defeat in Christchurch, the worst may be over. The economy is on the turn, they say, and Mr Major will settle into the job to "plough his own furrow". People vote for the party that makes them feel wealthiest, and they see little danger of supporters deserting the party for good.

In the Llandridno Conservative Club not even the fiercest critic of Mr Major pointed to a preferred successor. They regard the prime minister as the best of a bad bunch.

Mr Major may be the most unpopular prime minister on record, but his footsoldiers still seem convinced that there is no alternative.

Bernard Matthews poultry workers win RSI case

By Diane Summers, Labour Staff

SIX POULTRY workers yesterday won compensation for repetitive strain injury (RSI) against Bernard Matthews, the poultry processor, in Norwich County Court.

Solicitors for the TGWU general workers union, which backed the

workers, said the case was the first to focus on training, job rotation and systems of work in relation to RSI.

Previous cases had focused on whether employers had given adequate warnings to workers about the risks associated with their jobs, the union's solicitors said.

The term RSI is used to cover a range of conditions affecting the neck,

shoulders, arms and hands. In the past it was chiefly associated with manual jobs, but is now affecting office workers who use keyboards.

The six awards - to three men and three women - ranged from nearly £8,000 to less than £800. The six worked on various tasks in the manufacture of turkey products at two of Bernard Matthews' East Anglia facto-

ries. A further three cases were rejected on medical grounds. The TGWU said there were between 70 and 100 other RSI claims waiting in the company.

Mr David Joll, Bernard Matthews' managing director, said that Royal Insurance, the company's insurers, had wanted to test the case in court. Representatives from several other

insurance companies had attended the hearings, he said.

The company, which employs 2,600 workers, said it had not yet had time to consider the judgment in detail. It added that it had "always placed the well-being of its employees high on its list of business objectives". It had at no time underestimated the potential risk to its employees.

Unionists may save Tories Row hampers talks on Ulster from Maastricht upset

By Ralph Atkins

SENIOR Conservatives believe Northern Ireland's unionist MPs will help the government avoid an embarrassing upset when the Commons votes on Maastricht's social chapter later this month.

Party strategists are increasingly confident that Mr John Major's recent remark that he was "four-square" behind Ulster's union with the UK, and this week's row between British and Irish ministers over the province's future, have improved relations between the Tories and Unionist MPs.

Although Conservative Maastricht rebels have yet to decide tactics, the votes of the nine Ulster Unionist MPs could be critical.

The Maastricht bill returns to the House of Lords next week when Baroness (formerly Mrs Margaret) Thatcher is expected to launch another attack on the policies of her successor as prime minister.

There is anxiety about the debates on the social chapter which have to be held by the Lords and Commons before ratification, following a concession by the government earlier this year.

In theory, the government

could ratify the Maastricht treaty without the social chapter even if it lost the vote. But some Tory Eurosceptics may still decide to vote for the social chapter in the hope of embarrassing the government and improving the chances of a legal challenge to ratification.

Labour has drawn up an amendment for debate in the Commons deliberately designed to force Mr Major to choose between accepting the social chapter or not signing the Maastricht treaty.

Unionist MPs have helped the government avert Commons defeats before, including on plans for pit closures.

By Ralph Atkins

SIR PATRICK Mayhew, Northern Ireland secretary, is to try again to cajole unionist and nationalist leaders back into "round-table" talks - in spite of a yawning gap that has emerged between the British and Irish governments.

The row over Northern Ireland's future has been overtaken by Thursday's agreement between the two governments.

As if conceding that talks will not restart in the autumn, as envisaged by the UK, the Irish government is floating the possibility of the two governments going over the heads of local politicians.

Mr Dick Spring, Irish foreign

minister, has gone further. He has raised the idea of "joint sovereignty" in Ulster.

He was slapped down on Thursday by Sir Patrick. Mr Spring had broken the "cardinal principle" that agreement must be reached by consent.

The squall reflects shifts in thinking both in London and Dublin. The British government has become more overtly unionist. More importantly, the prime minister departed from the usual script - that Northern Ireland should remain part of the UK so long as a majority of its population wished to remain - to say he was behind the union.

The shift may be partly because of the Conservatives' increased reliance on the votes

of Ulster Unionist MPs at Westminster. More probably, it is just that the frustration of failing to restart talks has provoked frank opinions.

Irish officials believe unionists must not be allowed to make the running. But Mr Spring is also keen to make a mark for his Irish Labour party, the junior partner in the Irish government coalition.

There is a desire to build on the 1985 Anglo-Irish agreement which gave Dublin a token say in the affairs of the north.

What will happen next? The most optimistic scenario is that unionists will be so encouraged by the UK's apparently hardened line that they will re-enter talks, dropping their insistence that the Irish

government has first to modify its constitutional claim on the north. Perversely, a row between the British and Irish governments may soothe unionist fears about their constitutional future.

More realistically, however, the Irish government's remarks will only further delay the resumption of talks.

So Mr Spring's remarks could become self-fulfilling and the only way ahead would be for the two governments to come together and map out a future for Northern Ireland. The lesson he and Mr Reynolds have learned is that finding agreement between the two governments is as hard as finding a deal between the province's politicians.

Call for review of new trunk roads

FRIENDS of the Earth, the environmental pressure group, has called on the government to review its plans for trunk roads in order to save wildlife sites.

The group claims that the decision this week not to go ahead with building a road through 8,000-year-old Oxleas Wood in south-east London should have wider implications.

When he announced the decision to look for a new route for the east London river crossing, Mr John McGregor, transport secretary, said the scheme failed to meet "the high environmental standards we now apply to new road schemes".

Intervention over Lloyd's rejected

THE GOVERNMENT last night rejected cross-party plans to intervene over the problems of Lloyd's of London insurance market or move to end its self-regulation.

Baroness Danton, trade and industry minister, said: "It is not the government's responsibility to become involved in the day-to-day administration of Lloyd's or intervene in individual disputes."

Patten sets date for school tests

By John Authors

MR JOHN PATTEN, education secretary, provoked another confrontation with teachers' unions yesterday by setting a date for next year's national curriculum tests for 14-year-olds in England and Wales.

The tests were widely boycotted by teachers this year, and are now the subject of a wide-ranging review by Sir Ron Dearing, chairman-designate of the Schools Curriculum and Assessment Authority.

Earlier this week two unions

announced that their boycott would continue next year unless the Dearing review produced substantial changes to the workload of the tests.

However, Mr Patten yesterday announced that next year's tests would take place in the week starting May 9. The tests took place in June this year.

The change in date was first suggested by Mr Patten last month in a speech to the conference of the National Association of Head Teachers. Then it was greeted with hissing and jeers.

According to the Department for Education, the change has been made following direct requests from the unions. It will avoid timetable clashes with GCSE exams.

Mr Eamonn O'Kane, deputy general secretary of the National Association of Schoolmasters' Union of Women Teachers, described the move as "crass" and "ham-fisted". "Mr Patten's pre-empting the whole review," he said. "It seems to me to undermine the position he's taken ever since the review was announced." He added that Sir Ron could

still recommend the abandonment of the tests.

The National Union of Teachers took a similar view. "If he's having a 'fundamental review' then I would expect the education secretary to wait at least for the interim report, which is expected in a couple of weeks, before making announcements about the date of the tests," it said. Mr Patten was guilty of "political interference" and "consistently undermining the independence of the review".

Mr Peter Smith, general secretary of the Association of

Teachers and Lecturers, said: "Teachers are sorely tried by these constant changes to working arrangements. Constant piecemeal changes, whether for good or bad, just act to confuse everyone even further. The key question is whether the tests continue in their current form."

Writing in yesterday's Times Educational Supplement, Sir Ron said he had found a consensus that the curriculum was over-prescribed, and would look into the scope for greater use of external moderators of teachers' own assessments.

Nadir deceived PPI auditors

By Andrew Jack

MR ASIL NADIR, the fugitive businessman, illegally deceived the auditors to Polly Peck International about his interest in a Turkish bank and failed to disclose his holding in the 1989 PPI accounts.

The 1988 accounts of PPI show that Mr Nadir had an interest in both Impexbank, based in Istanbul, and the Industrial Bank of Cyprus (IBK). The 1989 accounts refer only to IBK. Mr Nadir continued to hold Impexbank shares allegedly bought with Polly Peck money - until he sold his interest in 1991.

He deceived the auditors, Skoy Hayward, by stating categorically that he did not hold shares in Impexbank, in contravention of the 1985 Companies Act. The act requires disclosure of any transactions related to directors of a company and makes deceiving the auditors an offence.

Impexbank was used to channel at least £150m of the £271m Mr Nadir allegedly removed from PPI between

1987 and 1990. The details are contained in a letter from Mr Nadir to his auditors and believed to be in the possession of the Serious Fraud Office.

In response to a specific request from a senior audit partner, Mr Nadir signed a letter on PPI notepaper in April 1990 - six months before PPI went into administration - stating that he had no beneficial interest in the shares of Impexbank during 1989.

He also said he had no beneficial interest in the shares of A.N. Graphics, the Turkish printing and publishing company that has stakes in many of the PPI Turkish businesses. Mr Nadir attempted to gain control of A.N. Graphics shares just four days before PPI went into administration.

Last week PPI administrators won a ruling in the Manx courts that the transfer of shares from Voyager, a PPI subsidiary, to Mr Nadir was illegal. The shares were apparently transferred in exchange of £2m from Mr Nadir, which the administrators say was never received by PPI.

Tories rethink sports shake-up

By Michael Cassell

PLANS to restructure the Sports Council have been abandoned by the government - to ensure that as much money as possible goes directly to sport rather than to administration.

Mr Ian Sprouk, national heritage minister, told the House of Commons yesterday that proposals for an English Sports Council and an over-arching Sports Commission for the whole of the UK had been dropped.

Mr Sprouk said that 37 per cent of the £51m allocated to sport each year was already taken up by running costs and he did not want to see the creation of a "vast bureaucracy" that would increase that percentage.

"I want to make sure that when we give money to encourage sport in this country, it goes to sports people at the sharp end and not to bureaucrats," he added.

He said he would announce fresh proposals as soon as possible bearing in mind "the need for effective management of

the new stream of income for sport which will follow the introduction of a National Lottery".

The changes - sparked by the Atkins Review of sport and active recreation, published in December 1991 - were due to take place in October.

Labour attacked the government for instituting another review after two years of continuing discussions on the best approach to sports funding. Mr Tom Pendry, the party's sports spokesman, urged ministers to "get talks on the road again" without delay.

The Sports Council said it was "disappointed but not surprised at the policy change". The latest review was the seventh in the past five years and none of the conclusions of the previous six had been acted on by government.

The council added, would "not be looking forward to another review with unqualified rapture".

Mr Pendry emphasised that each of the reviews had added substantially to the council's administrative costs.

Receivers at Swans cut 286 more jobs

By Chris Tighe

ANOTHER 286 jobs are to go at Swan Hunter, the Tyneside shipbuilder, receivers Price Waterhouse said yesterday.

The latest cuts bring to more than 700 the total number of redundancies since the company went into receivership two months ago after failing to win a crucial helicopter carrier order.

Mr Tommy Brennan, Tyne chairman of the Confederation of Shipbuilding and Engineering Unions, said: "It's quite obvious that Swan Hunter is bleeding to death in the present circumstances."

The company, he added, was "haemorrhaging jobs" as delays in finding a buyer and securing a prospective £40m Omani patrol boats order continued. Swan's greatest asset, he said, was its workforce. "Now we are seeing the workforce decimated."

The 286 redundancies, more than unions had expected, cover 143 hourly paid employees; 78 managerial, technical and clerical staff and 65 short-term contract workers.

Half will leave next Friday and the rest the following Friday, when the company's two-week summer holiday begins. Employees will not learn until next week which of them are to lose their jobs. The latest cut will reduce the payroll to 1,700, including 60 short-term contract workers.

Mr Ed James, one of the receivers, said the redundancies were inevitable in view of the company's present workload. He said he was, however, confident that key technical expertise had been retained while the search for a buyer continued.

Price Waterhouse confirmed yesterday that no firm bids for the company had been received. The receivers told the unions they were in contact with four seriously interested parties.

A week ago the Ministry of Defence agreed to allow the shipyard to finish three Type-23 frigates, its main workload, giving it work until November 1994.

Mr Brennan urged the government to offer Swans a breathing space by giving it some refit and repair work. He feared Swans was in a "chicken-and-egg" situation over the Omani order, with prospective buyers waiting to see if it materialised.

Mr Steve Byers, Labour MP for Wallsend, said government delay in taking positive measures to assist Swan Hunter had created a climate of uncertainty, leading to job losses.

Talks on Thursday between Mr Tim Sainsbury, the industry minister, and Mr Karel van Miert, European Community competition commissioner, on whether Swans should become eligible for EC subsidies ended inconclusively.

Workers were disappointed yesterday, but not surprised at the latest cuts. Mr George Tweedy, an ancillary worker, said: "We're just hoping it's the last."

Dilemma of sterling recovery

WHAT A difference a year can make in the life of the pound sterling.

Nearly 12 months ago the government and the Bank of England were locked in a battle to stop the pound falling below its floor against the D-Mark in the European exchange rate mechanism.

Now the authorities face the opposite dilemma. Sentiment towards sterling has improved sharply in recent weeks, amid signs that the UK is one of the few countries in Europe to be enjoying economic growth this year.

Earlier this week the pound hit a high for this year of DM2.57 - some 9 pence above its level exactly a month ago, and 11 per cent above its level in February.

The currency lost some ground to a stronger D-Mark towards the end of the week. But some economists still predict that the pound could reach DM2.60 or DM2.65 in the short term, particularly if there is renewed turmoil in the ERM this autumn.

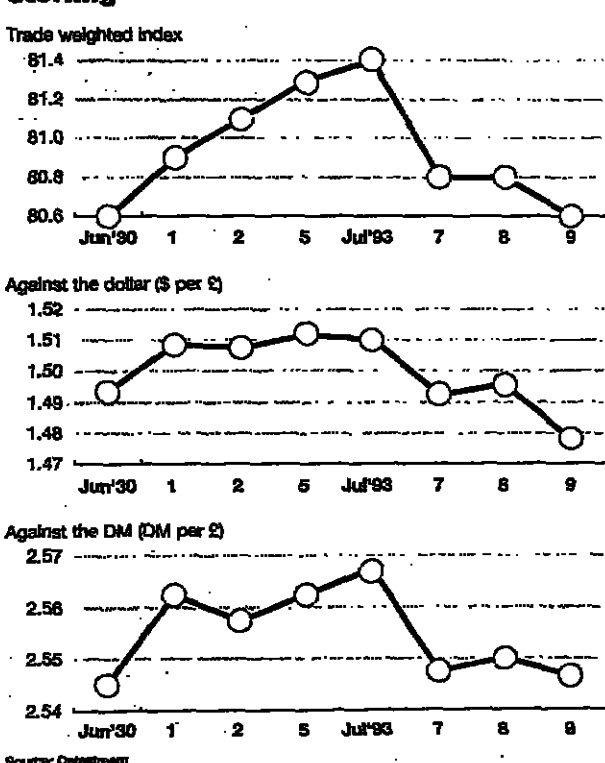
That might cause problems for that government. There are signs that sterling's rise may be hampering the UK's trading position by making exports more expensive. Last week the Confederation of British Industry reported a "slight setback" in exports to Europe in the first two weeks of June.

Mr Neil MacKinnon, chief currency strategist at Citibank, believes that the UK authorities will become extremely concerned if the currency rises to DM2.60 or DM2.65. In his view, that would roughly correspond with sterling's purchasing power parity level - the level at which the exchange rate matches the value of the goods that it trades - and a move higher would actively undermine the UK's export competitiveness.

"If the government allows the currency to move to those levels, then it will be ensuring that this is the shortest eco-

James Blitz says the resurgence of the pound brings its own problems

Sterling



economic recovery in history," says Mr MacKinnon.

But what action can the UK authorities take to cap the rise of the pound?

One thing must be almost certain - there will be little appetite in government for returning to the days of a sterling target, tacit or otherwise. Mr Nigel Lawson, the former chancellor, ran into severe problems trying to shadow the D-Mark in the late 1980s, and his successor, Mr Norman Lamont, was unable to maintain sterling's ERM parity.

Cutting base rates would be more popular, especially with worried Tory backbenchers. A lower short-term return for

international investors would cause some to sell sterling, and have the additional benefit of stimulating consumer spending and the housing market.

But it could backfire and boost the pound further, because foreign exchange dealers sometimes put a higher premium on economic growth than short-term gain.

"If interest rates are cut in a country where growth already exists, the tendency is for the currency to rise further," says Mr Jeremy Hawkins, economic adviser at Bank of America in London.

However, the government could decide to do nothing. Although sterling is enjoying a

rise at the moment, the size of the public sector borrowing requirement, at £50bn this financial year, has raised serious concerns about the state of the public finances, which could undermine investors' sentiment towards the end of the year.

The government might even take some perverse pleasure from its political difficulties, knowing that such troubles have regularly stopped the pound in its tracks. One reason for sterling's small setback this week was that the government set the date for the Christchurch by-election - July 29 - and it could face a humiliating defeat there.

However, recent official figures show that although the volume of UK exports rose in the first quarter of this year, there was an even sharper rise in the value of these exports, which suggests that Britain's business community is more concerned with margins than with volumes.

"Since the early 1980s sterling's value has halved from about DM5.00 to around DM2.50," says Mr Ian Harnett, UK economist at Société Générale Strauss Turnbull. "But we still have a huge trade and current account deficit."

"There is nothing to be gained by worrying about the exchange rate," he argues.

"The only thing that has any impact on exports is the level of domestic growth - and that is the only issue that the government should consider when setting base rates."

The question that cannot be answered is whether Mr Kenneth Clarke, the chancellor, agrees.

But a strong view in City dealing rooms is that Mr Clarke will cut interest rates by the end of the year - perhaps by 1 percentage point - because of the likelihood that the domestic economic recovery will falter.

Then sterling could go where it may.

Turbulent leasehold bill passes final hurdle

By Vanessa Houldier, Property Correspondent

THE controversial Leasehold Reform, Housing and Urban Development Bill passed its final parliamentary hurdle this week. It awaits royal assent.

The turbulence of the bill's passage through parliament stems from the first of its three main provisions - the right it gives leaseholders to buy their freeholds. The bill also gives local authority tenants the right to buy a share in their homes, and it sets up an urban regeneration agency to tackle deterioration.

Opposition came from Conservatives who consider that

forcing landlords to sell freeholds to leaseholders undermines property rights and the sanctity of contracts. According to the Duke of Westminster, who resigned from the Conservative party over the issue, the bill was "an infringement of long-standing democratic principles".

The impact of the bill, however, may be less than tenants hope and landlords fear. According to its Labour critics the bill is "a damp squib on a dull day". They believe that many of the 750,000 leaseholders who expect to benefit from the legislation will be disappointed.

The House of Lords put forward nearly 300 amendments which went some way to reducing the impact of the legislation.

Some amendments excluded particular groups from the legislation. People living in cathedral closes are excluded, for example.

Other measures had a wider impact, such as the introduction of a residence test designed to stop speculators benefiting from the new legislation. Half the participating tenants have to be resident in a property to qualify, so the building must have been the tenant's only or principal home for at least a year, or for three out of the last 10 years.

A far-reaching set of amendments in the Lords affects the 50,000 high-value houses (with a rateable value of more than £1,500) that were excluded from the leasehold enfranchisement measures of 1967.

These will add considerably to the cost of enfranchisement by including several assumptions

in the valuation of such freeholds.

Leaseholders should not be assumed to have security of tenure.

Landlords should receive at least half of any marriage value - the extra value from combining landlords' and tenants' interests.

Landlords should be compensated for "injurious affection", meaning the loss which enfranchisement might inflict on a landlord's other property.

The measures provoked dismay among leaseholders. Ms Joan South of the Leasehold Enfranchisement Association, a lobby group, said: "We are terribly disappointed."

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On 17th July,
hear the work of Saint-Saens
featuring
David Mellor and Elaine Paige.
(Or Carnival of the Animals
featuring some
serious party animals.)

On Saturday 17th July at 6-30 pm, The Lord's Taverners will be hosting 'A Summer Prom' at the Fairfield Hall, Croydon, which will be attended by HRH The Prince Edward CVO. The programme will feature a wide range of popular classical music performed by The London Mozart Players and a host of celebrities which include Willie Rushton, Jimmy Tarbuck, Nicholas Parsons, Sheila Steafel, Christopher Blake and Bella Emberg.

Benjamin Britten's Young Persons Guide to the Orchestra, narrated by David Mellor, will then be followed by the music of Mozart, Cimarosa and, of course, Saint-Saens' Carnival of the Animals. The finale will be, I vote to their my Country by Holst, which will involve the entire audience. For further information and tickets, which are priced £6-£20, call Michele Walters on 071-222 0707, and spend an evening with some famous animals.

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BUSINESSES FOR SALE

INVITATION TO TENDER FOR THE HIGHEST BID for the Purchase of the Assets of "SPINNING & WEAVING MILLS DEM. LEVENTAKIS S.A." of Athens, Greece

"ETHNIKI KERHALEOU S.A. Administration of Assets and Liabilities" of 1, Skoufion Street, Athens, Greece, in its capacity as Liquidator of "SPINNING & WEAVING MILLS DEM. LEVENTAKIS S.A." a company having its registered office in Athens, Greece [the "Company"], which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990 [as supplemented by article 14 of Law 2000/1991],

announces a call for tenders

for the highest bid by submission of sealed bidding offers for the purchase by public auction [the "Auction"] of the assets of the Company, as a single whole.

BRIEF INFORMATION:

The Company was established in 1950 and was incorporated as an S.A. in 1973. Its activity included manufacturing of yarns and fabrics (made of cotton and blends) color blankets and towels, dyeing and finishing of fabrics. In 1984, the company went bankrupt and following a bankruptcy settlement, it was re-instated in 1986 by the Athens First Instance Court's decision No. 15937/1986, and was since under liquidation. No personnel is currently employed. The Company's Assets include: (1) An Industrial Complex at the 12th km of the Athens-Lamia National Road (Metamorphosi-Atikis) consisting of Basement of a total area of 7,500m² and total volume of 33,750 m³, Ground Floor of a total area of 11,100 m² and total volume of 49,950 m³ and First Floor of a total area of 6,200 m² and total volume of 27,900 m³ approx, as well as an adjoining building of a total area of 500 m². Above buildings are built on land of an initially total area of 18,665 m² approx., which, minus the expropriated land, are presently 15,442 m² approx. Relative data on the expropriation are included in the offering memorandum.

(2) mechanical equipment consisting of Spinning and Weaving Mills, Dyeing and Finishing Units. (3) various other assets such as technical installations, office equipment, trade marks etc and (4) various other lots of land situated in Kifissia area (Metamorphosi) of a total area of 17,500 m² approx.

OFFERING MEMORANDUM - FURTHER INFORMATION:

Interested parties may obtain an Offering Memorandum in respect of the Company and the assets thereof and any further information, upon execution of a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

- The Auction shall take place in accordance with the provision of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions. Submission of offers in favour of third parties to be appointed at a later stage shall be accepted under the condition that express mention is made in this respect upon the submission and that the offerer shall give a personal guarantee in favour of such third party.
- Binding Offers: For the participation in the Auction interested parties are hereby invited to submit binding offers, not later than the 2nd of August 1993, 11:00 hours, to the office of the Athens Notary Public Mr. Evangelos Drakopoulos, 19, Voukourestiou Str. Athens Greece. Offers should expressly state the offered price and the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate). In the event of no determination of a) the way of payment, or b) whether the instalments bear interest and c) the interest rate, then it shall be deemed that a) the offered price is payable immediately in cash, b) the instalments shall bear no interest and c) the interest rate shall be the legal rate from time to time in force (presently 33% yearly). Binding offers submitted later than the prescribed time limit, as referred to hereinabove, shall neither be accepted nor considered. The offers shall be binding until the adjudication.
- Letters of Guarantee: Binding offers must be accompanied by Letters of Guarantee, for an amount of drs. Two Hundred and Fifty Million (250,000,000), issued in accordance with the draft form of Letter of Guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to be valid until the adjudication. Letters of Guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the Letters of Guarantee shall be forfeited as a penalty.
- Submissions: Binding offers together with the Letters of Guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.
- Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on the 2nd of August 1993, at 14:00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
- As highest bidder shall be considered the participant whose offer will be judged, by the 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account, which shall be calculated on the basis of a discount interest at an annual rate of 22% compounded yearly.
- The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
- All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
- The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings and the making of the Auction. Neither the liquidator nor the Notary Public shall have any liability for any legal or actual defects of the assets. Submission of binding offers shall not be deemed to constitute any right for the adjudication nor the participants shall acquire any right, power or claim from this invitation and/or their participation in the Auction against the liquidator and/or the Creditors for any reason whatsoever.
- This invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

FOR OBTAINING THE OFFERING MEMORANDUM AND FOR ANY FURTHER INFORMATION PLEASE APPLY TO THE LIQUIDATOR'S ATTORNEY IN ATHENS: MR ANTHONY MARKEZINIS AT 25, AKADIMIAS STR. ATHENS 106 71, GREECE, TEL. +30-1-36 15 594, FAX: +30-1-36 25 750.

FINANCIAL TIMES

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Saturday July 10 1993

Summiteers vs speculators

JUST AT the point when economic summitry was assumed to have passed irretrievably beyond its natural shelf life, events in Tokyo have conspired to defer the post-mortem. True, the much-trumpeted tariff-cutting deal was the work of ministers from the "Quad" group of countries - the US, the EC, Japan and Canada - rather than the seven summit countries. But the endorsement of the Group of Seven will add to the pressure to complete the stalled Uruguay trade round. Nor is the \$3bn (£2bn) Russia fund a negligible piece of economic diplomacy at a time when the G7 nations apart from Japan are under tight fiscal constraints.

The ready promises of fiscal and monetary virtue in yesterday's communiqué are another matter. But at least there was no row; and while the trade deal on access for manufactured products is just one step on an arduous path that has yet to address the thorny issue of farm trade, it runs pleasingly counter to expectations in a world economy that is increasingly marred by echoes of the economic frictions of the 1930s.

That, indeed, is just what high-level economic diplomacy is meant to be about. The mere process of establishing a summit agenda puts pressure on world leaders to address difficult issues in a forum that helps them rise above bureaucratic and political constraints. In the mid-to-late 1970s relatively informal gatherings actually achieved something by preventing a more rapid slide towards protection after the first oil crisis. It was only when summits became more formal and ambitious, with attempts at global demand management and co-operative exchange rate agreements, that they became nugatory.

Bitter memory

That is one reason to feel more cheerful about trade after the Tokyo meetings than about the promises to bring down European interest rates and to cut the US budget deficit. The Bundesbank was not represented at the summit and its officials retain a bitter collective memory of the inflationary consequences of the 1978 summit, which required Germany to act as a locomotive for the world economy. Nor is the US Congress a soft touch on the budget. A better trade deal might have been done, notably over textiles, were it not for President Clinton's worries about pushing through his tax bill. As for the Japanese, if they deliver on their promise to stimulate demand further, it will be because they perceive it to be in their domestic interest to do so.

The other reason to be sceptical about the aspirations of the summiters on the monetary front is

that they are a much less potent force in today's world economy than the speculators. These appear to be offering an alternative, quicker solution to the problem of deficient demand in continental Europe by putting the French franc to the test. Yesterday the franc moved perilously close to its floor within the ERM as money flooded into the D-Mark, largely in response to a worsening official forecast of the shrinkage in French GDP this year, together with a prediction that unemployment would rise from 11.5 per cent to 12.5 per cent by December.

Politically untenable

Clearly the money men scent that the high level of French real interest rates in a deepening recession is becoming politically as well as economically untenable. French monetary policy is in the hands of the Bundesbank, which still has to cope with inflation of more than 4 per cent, money supply growing at above its target and worries about D-Mark weakness against the dollar and the yen. Unless German interest rates come down further and faster than the Bundesbank has so far allowed, the pressure on the franc can only increase.

But unemployment, which was a more pressing concern for the summit participants this week than inflation, is not solely attributable to deficient demand. In Europe, whose five largest economies have an average unemployment rate of more than 11 per cent, it has a disproportionately large structural component. And here a report agreed by the G7 finance ministers shifted from previous summits' emphasis on deregulation to active public policies, including measures on education and training. This followed President Clinton's call for a ministerial summit to consider the causes of structural unemployment and potential remedies.

Whether a global meeting makes sense when the structural features of labour markets in the US, Europe and Japan are so obviously different is a moot point. The pressing problem in Europe, which suffers from real wage rigidity, low mobility and high non-wage employment costs. These are already the subject of an initiative by Mr Jacques Delors within the European Community. And the OECD is conducting a wider review, which covers the G7 and most of the developed world. At first sight, there may seem little harm in duplicating the effort in a summit talk shop. But if the talk focuses on the export of jobs from the developed world to Asia, the risk is that protection could come back on to the agenda via the back door - an outcome that should be stoutly resisted.

By the way, Martin," remarked the deputy editor, "we want a feature on what the Tokyo trade deal will mean. You know, the losers and who the winners will be. That sort of thing."

"I blenched. 'In the first place,' I explained pedantically, 'we don't even know what has been agreed. In the second place, they are still far from a conclusion to the Uruguay Round. In the third place, nobody knows what such a trade deal means quantitatively.'

"What about the British officials who say it could produce 400,000 jobs in the UK over the next 13 years? Where did they get that figure from?"

"Heaven knows," I replied. "Increased trade generates additional economic welfare. Its impact on employment depends on what you assume about real wage flexibility and so on."

"What are you saying? That figures like that are simply made up?"

"Yes and no. They are made up, but pseudo-scientifically."

"Well, what about Mickey Kantor, the US trade representative," persisted the deputy editor? "He said it was the 'biggest tariff-cutting agreement in history' and claimed a successful trade round would create an extra 1.4m jobs in the US over 10 years and 2m over 13 years."

"That's no proof. I'm afraid. For a person who prides himself on his resistance to 'trade theology', Mr Kantor is getting mystical. Did you notice that 600,000 of these extra jobs are supposed to come more than 10 years from now? Who knows what might happen by then?"

Irritation began to break through the deputy editor's calm demeanour. "Anyway," he insisted, "we want a feature. Go and talk to the features editor about it." Thus admonished, I went.

"Yes," that formidable personage remarked in her most head-mistressly manner. "You must tell readers what this deal might mean. But remember they are bored silly by this Gatt business. So make it imaginative, even amusing. And no ifs, buts or footnotes. You know what the editor thinks about footnotes."

"What are you going to say," she demanded?

"Well," I replied, "the first point is that it's not over until the fat ladies sing in harmony. They have many difficult decisions to reach between now and next December, when renewal of Mr Clinton's 'fast track' authority runs out."

"What's a fast-track authority? Come on, Martin, leave out the technicalities, for once. Imagine you're trying to explain what you mean to your elderly uncle."

"A fast-track authority," I explained patiently, "means that Congress can only vote for or against the agreement as a whole. It cannot destroy it by amendments."

"Well, what does still have to be done?"

"The first thing is to obtain concessions from the other participants in the Uruguay Round to match those made by Canada, the European Community, Japan and the US. Probably the most sensitive issue will be tariffs on textiles and clothing. There will also have to be a multilateral steel agreement, to reduce distorting subsidies. Japan and South Korea will have to accept liberalisation of rice imports and France will have to agree to last year's farm trade deal with the US or to be overruled on the issue."

"Could the French veto the deal?"

"Strictly speaking, it has no veto."

Why does the Uruguay Round matter?
Martin Wolf explains what the trade agreement in Tokyo might mean

Not over until all the fat ladies sing



The question is whether other EC member states will be prepared to outvote France. Much depends on Helmut Kohl.

"Then there is trade in services," I continued. "The Japanese and Koreans have to liberalise financial services, like banking, while the US wants the Europeans to liberalise audio-visual services."

"There you go again. What does that mean?"

"It means Hollywood's right to flood the globe with pap," I replied. "For once, the French have a point. Unfortunately, much more is left to be decided in services than just these tricky issues."

I pressed on. Apart from services, there is also doubt about whether an integrated dispute mechanism will be established within the proposed new multilateral trade organisation (MTO). Given the hostility to that idea of environmentalists and other pressure groups, particularly in the US, the MTO may share the fate of the International Trade Organisation, which perished on its way to the US Congress in the late-1940s.

"Stop," she shrieked. "We already know the round may never be finished. Our readers need to know what the round would mean if it were finished."

"Well, among the winners would be exporters of farm produce, such as Argentina, Australia, Canada, New Zealand, Thailand and other

members of the 'Cairns group'. I noticed the features editor was ostentatiously filing her nails, but ignored her. "Anyway, one should not exaggerate the difference this deal might make. Farm trade liberalisation would only begin with the Uruguay Round. More important than the actual liberalisation might be the ceiling it would put on any future increases in farm subsidies."

not get what they hope for, there may not be enough support in Congress to pass the package."

"Another high potential export sector for some industrial countries is telecommunications. The economic pressure for liberalisation is very strong, which means the Uruguay round may not make much difference. But big US suppliers, along with companies like BT, should gain. The traditional PTTs are likely to come under huge pressure. New cross-border and cross-industry alliances seem certain."

"Losers are simply the mirror-image of the winners: highly protected farmers, makers of labour-intensive manufactures in high wage countries and, more generally, producers who need their protection to survive."

"Isn't it possible to be more precise than that?"

"Not really," I replied. "You have to remember that tariff reductions are to be phased in over five years, after ratification. Liberalisation of the MFA is due to take 10 years, with the bulk of that liberalisation towards the end. Nobody can really tell what might happen to world trade in clothing by 2003."

The features editor pulled a "what wishy-washy features I have to put up with" kind of a face. "Can't you say something about employment," she pleaded?

"I am glad you asked that," I replied. "Fortunately, the first thing

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Peter Sutherland, the Gatt's new director-general, asked from his staff was an analysis of the link between trade and jobs. They made the important point that 'the jobs and trade debate is not a debate about jobs, but about which jobs'.

"Rich countries would exchange low paying jobs in import-competing industry for higher paying jobs in export-related industry. Over the last few years, the most dynamic markets for industrial country exporters have been China, the Middle East and Latin America. In fact, between 1986 and 1990, virtually all job growth in US manufacturing was in exports, while a recent study by the US trade representative's office found that workers in export-related jobs earn 17 per cent more than the average US worker. So trade liberalisation is how rich countries will get more of the 'good jobs' that president Clinton wants."

Meanwhile, poorer countries would obtain more jobs for each unit of investment. So both sides would gain, which is what trade is all about."

"Is that all there is to say?"

"Not at all," I replied, warming to the theme. "If exports of manufactures from developing countries continue to grow at their recent pace, the ultimate effect might well be an increase in wage inequality in rich countries, other things being equal, but less inequality in poor countries. Industrial countries would have to deal with the problem. It would be disgraceful to make the poverty of developing countries an excuse for policies that keep them poor."

"But the most important effect of an agreement in the Uruguay Round would be preservation of a multilateral trading system. That would confirm the wisdom of the outward-looking, market-oriented policies adopted by so many countries in recent years. These policies should, in turn, spread the exceptionally rapid growth of east Asia during the past decade or two to other parts of the world, including to the industrial countries who provide nearly all the capital goods developing countries need."

"Is that all there is to say?" asked the features editor, looking at her watch.

"Not at all," I replied. "Even if successful, the Uruguay Round would be one in a probably endless series. Something will have to be done to secure a global competition policy, instead of controversial anti-dumping and countervailing duty measures. The US will have to be weaned off its desire to manage trade, particularly with Japan. I am not particularly concerned about the supposed threat of regional trade blocs, since there is not going to be one in east Asia. But an accommodation must be made with the environmentalists, though not one that satisfies the urge of some of them to push humanity back into the self-sufficient manorial economy of the Dark Ages."

"So what does that mean? Yet another round?"

"Absolutely. The next one will have to start well before the results of the Uruguay Round are harvested. I think it might be called the Beijing Round."

The features editor smothered a yawn. It was obvious she was never going to be persuaded that Saturday readers should be served this arid sort of stuff. "All right," she said. "But make sure you get the copy in early. You know how difficult Fridays always are."

MAN IN THE NEWS: Lord Justice Scott

Free-wheeling Olympian

Senior UK civil servants are not accustomed to being grilled in public. But such was the fate this week of the hitherto unflappable Peter Verker, head of arms control and disarmament at the Foreign Office when he gave evidence before Lord Justice Scott's inquiry into arms sales to Iraq.

Mr Verker had suggested it was irrelevant to the inquiry that Jordan had been left off a government blacklist despite evidence it was an important route for arms supplies. The judge was unconvinced.

"Where Jordan should be - you can see it is alphabetical - it looks rather as though someone has just snowed it out, or that it has just gone, has it not?" snapped the judge. Mr Verker, answered: "That is a gap."

The encounter is typical of the sharp questioning by Lord Justice Scott, alongside judge's counsel Ms Presley Baxendale QC, over the past three months of hearings.

Lord Justice Scott's timely interventions have cut through virtually impenetrable Whitehall jargon. He has also read thousands of government documents, made available to him on the instructions of the prime minister. The volume of material and complexity of the inner workings of the Civil Service might have worn down a less sturdy character.

"The judge is absolutely determined to get to the heart of what has happened and he will follow it through in a very determined way," says Christopher Muttukumar, an assistant Treasury solicitor and secretary to the inquiry. "He is enjoying this immensely and finding it enormously challenging."

But Lord Justice Scott's approach has apparently jangled nerves in Whitehall. Though one Conserva-

tive MP close to the government claimed yesterday he had heard "neither a murmur nor a ripple" about the inquiry, others in the Commons suggest the government is nervous.

Few who know Lord Justice Scott are surprised at the spectacle. "He is completely fearless, enormously intelligent and won't accept waffle," says a former colleague. "He wants to get to the bottom of things and does."

Lord Justice Scott was brought up in South Africa, but he was born, of English parents, in Dehra Dun in northern India, where his father was serving in the 29th Gurkha Rifles. His early childhood was spent in Peshawar and it was not until he was eight that the family moved to a 500-acre dairy farm on the Mooi River in the Natal midlands.

He was educated at Michaelhouse, one of South Africa's elite private schools, where he excelled both in the classroom and on the sportsfield. He read law at Cape Town University before taking up a Commonwealth scholarship to Trinity College, Cambridge, in 1955. He gained a first as well as a rugby blue at wing forward.

Lord Justice Scott met his wife Rima Ripoll, the daughter of a Panamanian dancer, during a year teaching in the US after which he returned to London and joined the Chancery Bar. His rise to the top of the profession was rapid. It was not until he was eight that the family moved to a 500-acre dairy farm on the Mooi River in the Natal midlands.

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the former Foreign Office clerk. He ordered the document's return on the grounds that it was government property. Ms Tisdall was later convicted under the Official Secrets Act and jailed for six months.

It was not until 1985 that his libertarian credentials became established after he granted a group of South Wales miners an injunction preventing officials of the National Union of Mineworkers organising mass-picketing.

But it was Lord Justice Scott's judgment in the 1987 Spycatcher case, where he rejected ministers' attempts to place a permanent ban on press coverage of former MI6 officer Peter Wright's book, which made him a media darling.

Later, his place as one of England's less conformist judges was assured, when he warned of the dangers of government legislation on confidentiality, saying judges should be left to develop the law and to reflect society's needs.

Yet barristers say he is tough, can

be brusque, and drives his court hard. "He's been a great success on the bench," says one QC, "but he's not the warmest of judges. You could say he's 'slightly Olympian'."

The only apparent blot on an anti-establishment reputation is his love of fox hunting. He regularly rides out with the Grafton Hunt in north Oxfordshire and with a local dragoon - the Farmers' Bloodhounds - which hunt a man leaving an animal-scented trail rather than a real fox.

This country activity fits his Action Man persona (he is a fit-looking 58-year-old) but sits oddly with the green image he creates by bicycling to work each day, and his unassuming social and parental manner. He enjoys his social life with his high-spirited wife while having gracefully accepted the conversion to Islam of a son and a daughter.

A close friend says of him: "What underpins both his private and professional life is a very firm belief that there should be personal freedom of action so far as it does not impinge on the general good."

But it is Scott's reputation as a judge capable of taking on the political establishment, which begs the question of why the government picked him to lead the Iraq inquiry.

Those close to him insist that his appointment is as much a mystery to him as to the bulk of the judiciary. Some close to the inquiry suggest the appointment was made after unusually high level consultations, including with the prime minister. Mr Major apparently wanted to be seen to be committed to more open and fair government, which would be better served by appointing a judge like Lord Justice Scott than one with a more compliant reputation.

The next big test of Lord Justice Scott's style however, will come in the autumn, when taking their turn before the judge will be the prime minister, and his predecessor, the Baroness Thatcher.

Jimmy Burns and Robert Rice

FINANCIAL TIMES

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Update

Handwritten signature or mark.

On the beach, they take it as read

What books will Britain's chairmen and chief executives be taking on holiday this summer, asks Charles Batchelor. Political biography, histories and novels head the list. It will probably come as no surprise that management volumes do not make the grade. Clear winners are John le Carré, with his spy thriller *The Night Manager*, James Clavell's *Gai-Jin*, and Jeffrey Archer's *Honour Among Thieves*. The most frequently mentioned title not quite to make the holiday suitcase? Without a doubt Nigel Lawson's *The View From No. 11*. Many executives are "wading through", or "dipping into" it, but it appears to be just too bulky to make the trip.



A bag of books, most of them "hefty tomes", accompanies Sir Denis Henderson, chairman of ICL. The subjects are mainly biographical but with what Sir Denis calls "fiction" thrown in. He hopes to finish the *Diaries of Alan Clark*, the former defence minister, which he is already halfway through and which he describes as a "light read". Next in line is Truman, a biography of former US president Harry Truman by David McCullough, bought in a New York bookshop. Lighter relief comes in the shape of *Gai-Jin*, James Clavell's 1,000-plus-page account of the European powers' attempts to open up 19th-century Japan.



"Good escapism" is the essential characteristic required by Ewen Macpherson, chief executive of 3i, the UK's largest venture capital company, which has made news in recent months with its on-off plans for a public flotation. Macpherson will be taking Le Carré's *The Night Manager* and Jeffrey Archer's *Honour Among Thieves* with him on his annual Scottish fishing break, where he catches up on leisure reading. A book which has attracted his interest is *The View From No. 11*, Nigel Lawson's account of his years as chancellor of the exchequer. "I've been dipping in and out of it but I have not yet settled down," says Macpherson.



Alastair Ross Goobey, chief executive of Postal, the UK's largest pension fund, is a fan of the English classic novel, an enthusiasm he shares with his wife. They like to choose a title jointly and discuss it afterwards, with the characters fresh in their minds. Dickens's *Hard Times* is this year's choice, perhaps an appropriate title for an investment manager at the end of a deep recession. This will be joined by Fatherland, Robert Harris's thriller set against the background of a victorious Third Reich. Ross Goobey will also be taking John Carswell's *South Sea Bubble*, a recent reissue of the story of the famous stock market scandal.



Stanley Kalms, chairman of Dixons Group, is methodical. He has selected books in three categories - "political history, popular stuff, and mind-improving" - for his planned three-week break. Under the first category he has selected John Campbell's *Edward Heath*, a biography, and *Portraits and Miniatures*, by Roy Jenkins, a founder of the Social Democrats, whose style he admires. The popular selection includes Jeffrey Archer's latest thriller, *Honour Among Thieves*. In the mind-improving section, Kalms has set aside *One People*, a study of the different strands in the Jewish community by Jonathan Sachs, the chief rabbi.



Sir David Scholey, chairman of SG Warburg, the merchant banking group, says he "builds up a pile to be read and then see how far I can get through it". On his list is Tolstoy's *Anna Karenina*, which he last read as a schoolboy and which a friend has recommended as a good guide to understanding what is happening in Russia today. He has also chosen Le Carré's *The Night Manager* for light relief. He looks forward to what he believes will be a "splendidly convoluted" tale. For a more factual account of recent history he has selected *Turmoil and Triumph*, the memoirs of George Schultz, former US secretary of state.



George Bain, principal of the London Business School, will read books he has set aside specially and others already half completed. There is a strong historical thread to the group. Part-read is Joe Lee's *Ireland 1912-1985*, an historical work with a personal resonance because of Bain's Belfast mother. This will be joined by Correlli Barnett's *Engage the Enemy*. More closely, not a reference to Ireland, the rival French-based business school, Bain jokes, but a history of the Royal Navy, in which he served. The historical theme is completed by Under an Open Sky, by William Cronon, a collection of essays on the American west.



If Sir Simon Hornby, chairman and chief executive of WH Smith, were taking a holiday, a Trollope novel would be in his suitcase. A rapid and voracious reader, Sir Simon, a member of the Trollope Society, is working his way through the author's entire output. Not that such dedication confers undeserved pleasure. The *Madermosts* of Ballycloran, Trollope's first novel and the most recent on Sir Simon's list was "a boring book, almost unreadable", he says. Sir Simon reads mainly novels. "I don't want to be bothered with other things." An exception is Jean Genet, Edmund White's life of the French novelist and dramatist.

Sure-fire winner that went astray

Quentin Peel says the shooting of a terrorist has exposed panic in the Kohl administration

The carefully planned anti-terrorist operation around the little railway station of Bad Kleinen, on the shores of Lake Schwerin in north-eastern Germany, should have been a public relations triumph for the law-and-order platform of Chancellor Helmut Kohl.

The capture of two left-wing terrorists, wanted for murder and attempted murder and on the run for the past 10 years, was just the sort of coup needed to revive public confidence in an ailing administration.

What happened in a blaze of gunfire on the stairs and platforms of the rural railway station has turned instead into a potential new political disaster for Mr Kohl and his coalition colleagues. It has already claimed the heads of Mr Rudolf Seiters, the interior minister and a close confidant of the chancellor, and of Mr Alexander von Stahl, the federal prosecutor. More heads in the security services are confidently expected to roll.

And yet there is still no clear picture of precisely what happened at Bad Kleinen 12 days ago, when more than 50 crack anti-terrorist police surrounded the station café where Mr Wolfgang Grams and Ms Birgit Hogefeld, both members of the Red Army Faction, were sitting down to a meal of sausages and toasted Camembert.

All that is clear is that Ms Hogefeld was arrested, and Mr Grams was shot dead in a furious gun battle with the police; one young policeman also died, shot through the heart. But the suspicion has emerged that Grams may have been shot in cold blood, when lying unarmed and wounded on the railway tracks.

"That is a very serious allegation in Germany," according to one parliamentary expert on security matters. "This is not the US. Ordinary people are horrified, even if they abhor the Red Army faction."

What has also emerged is a picture of middle and panic at the heart of the Kohl administration, and incoherence and confusion between the multiple

arms of the security services. It is not so much what happened, but the failure to tell how it happened, that has caused the political backlash.

So far the only person to emerge with any distinction has been Mr Seiters himself, even though he resigned from office last Sunday without any apparent reason for doing so. Moreover, he seems to have triggered a probable domino-effect of resignations and dismissals, which could shatter the leadership of Germany's security services. And yet his resignation is praised on all sides of the political spectrum as honourable and desirable.

To the outside world, at least, it must all seem confusing. Inside Germany, as usual, the only man who appears entirely unruffled is Mr Kohl himself. He stayed in the country just long enough to appoint a new interior minister, and then flew off to the Group of

The Bad Kleinen affair looks like another example of a self-inflicted political scandal

Seven summit in Tokyo.

The Bad Kleinen affair looks like yet another example of a self-inflicted political scandal, suggesting a real crisis of leadership in the government, underlying the bickering and gloom within the coalition, the absence of a self-confident opposition, and the lack of co-ordination in key areas of the administration. Mr Seiters is the ninth minister to resign, or be dismissed, from the coalition cabinet since the beginning of last year.

The opposition Social Democrats can scarcely gloat. They have lost their erstwhile leader, Mr Björn Engholm, leaving their electoral hopes in disarray. Their fortunes are now pinned on the untried, and largely unknown, figure of Mr Rudolf Scharping, the 45-year-old state premier of the Rhineland-Palatinate.

Bad Kleinen could yet be the

gift from the gods which Mr Scharping urgently needs to revive his party's fortunes and demonstrate the incompetence of Mr Kohl's government. But until the facts are known, even that much is unclear.

The problem is that far too many security organisations seem to have had a hand in the operation. The informer who tipped them off worked for the internal security service, the prosecutor ordered the arrests, the federal police were in charge of the operation and used the GSG-9 anti-terrorist unit - part of the border police - to do it. All are responsible to different masters.

"The very system was designed to be a bit inefficient, thanks to memories of the Gestapo and Nazi centralised rule," according to one foreign observer. "What we have seen is that it more or less lives up to expectations."

The fact that Mr Seiters quit is seen as a personal vote of no confidence in Mr Kohl and his cabinet, rather than a necessary sacrifice. "He was tired of the bickering, and his heart was not in the battle," according to one senior official.

And yet Mr Kohl has managed to use Mr Seiters' resignation to advantage. He has brought into the government a stern advocate of law and order. Mr Manfred Kanther, leader of his Christian Democratic Union in Hesse, who could well bolster the platform in next year's elections.

Mr Kanther is no shrinking violet. He has been a sharp critic of the chaos in Bonn, while sitting out in the provinces. Mr Kohl is seeking to exploit his reputation as a staunch member of the party's "conservative-nationalist" wing and silence a potential critic.

It is the sort of political trick at which the chancellor is a past master. Yet time is running out for political tricks. Mr Kohl desperately needs to prove that he heads an administration capable of coherent government - and ensuring law and order. That is precisely what the events at Bad Kleinen have undermined.

For one glorious moment this week, the UK's environmentalists thought they had witnessed the unimaginable: the greening of the Department of Transport. In a move that took almost everyone by surprise, the government tore up long-standing plans to build a new crossing over the Thames in Greenwich, south-east London, because one of the approach roads would have cut through a clump of old and much-loved trees.

Conservationists were astonished. In Britain, as in many other countries, protesting against unpopular road schemes is a national pastime, but few who indulge in it do so with any expectation of success. The Department of Transport is nicknamed the Department of Roads, and it is axiomatic in the roadbuilding business that, given a choice between the economic benefits conferred by a new motorway and the environmental benefits conferred by a local beauty spot, the economic arguments tend to prevail.

So what went wrong with Oxleas Wood? True, some might have thought it a pity to see one of London's last pieces of ancient woodland disappear under a few thousand tonnes of Tarmac. But as far as the department was concerned, plans for an East London River Crossing dated back to the Abercrombie Plan to rebuild London after the last war, and the 223m project would have formed a long-overdue and badly needed link between the London-Dover road and the capital's North Circular orbital road.

Part of the explanation for the turn-about must lie in the sheer doggedness of the protesters. Led by a campaigning group called People Against the River Crossing, their story is one of a prolonged and bloody-minded refusal to be defeated.

The group itself came into being when the first public inquiry into the scheme was held between September 1985 and December 1986. In 1989, it complained to the European Commission that the UK government had not carried out a proper environmental assessment of the scheme. (The case has yet to be heard.) In 1990, when the road scheme was altered, a second public inquiry was held. In 1992, nine local campaigners challenged the scheme in the High Court; and when the judgment went against them earlier this year, they took the matter to the Court of Appeal, where it was due to be heard in November 1993.

Dot Lawrence, the group's 66-year-old secretary, says the Oxleas Wood campaign has taken over her life. Her garage and two bedrooms of her three-bedroom house are filled with paraphernalia from the campaign: papers, leaflets, T-shirts, maps. She says: "I was a very minor person in the campaign at the beginning, looking after my mother and a job. I still don't understand a lot of it. As you grow up with it, you know more, you become more self-confident. In the end you start to live the whole damn thing."

Parc chairman Dr Barry Gray, a hospital consultant, attributes the group's



Out of the woods: local MEP Peter Price (in the suit) toasts success with members of the campaign to save Oxleas

If you protest in the woods today...

Tim King on the implications of an environmental victory

success to perseverance and determination. It was, he believes, essential to have a hard core of 40 activists, who would outlast hundreds of other supporters whose interest was less constant, and the support of the local authority, Greenwich Council, which spent £1.5m pounds on fighting the scheme in public inquiries and the courts.

Oxleas Wood gave a peculiar character to this planning dispute. Although opponents of the road scheme were also concerned about the proposed demolition of 240 homes, about the loss of other open spaces and about noise and air pollution, they focused attention on the wood itself.

With emphasis on the rich diversity of species in the woodland, the campaigners succeeded in persuading national environmental organisations such as Friends of the Earth to give unprecedented backing to a specific, local campaign.

With the help of these national groups, the campaigners distributed thousands of leaflets, asking people to pledge themselves to non-violent direct action in a Battle of the Bulldozer campaign. To the politicians and the road lobby, that must have raised the frightening prospect of repeating the scenes witnessed on the M3 construction site at Twyford Down, in Hampshire, where earlier this month protesters staged a

mass invasion. Perhaps the last straw came in May when the British Road Federation, a lobbying group which campaigns for more roadbuilding, swapped sides to join the anti-road protesters. Suddenly, the government found there was virtually no one left prepared to stand up and say they thought the road should go ahead.

Mr Paul Everett, the British Road Federation's assistant director, says his organisation's move came out of a recognition that the scheme as proposed would never be built in the face of such fierce opposition - particularly since the site's location in London put it within easy reach of television crews.

There was also, he adds, a sense of ritual sacrifice about the affair. "For many people it was a case of assuaging their guilt. They don't really like to think of their driving as detrimental to the environment, so Oxleas Wood was a symbol by which they would demonstrate their commitment to the environment."

All that apart, it is possible to read a slightly more political aspect into the change of mind. It is not surprising that a government with a thin parliamentary majority and a record low rating in the popularity polls should back away from such an unpopular project.

There was also the matter of the EC's

legal action against the government initiated by People Against the River Crossing in 1989. The government claims it was under no obligation to carry out an environmental assessment of the road scheme under a 1985 EC directive because the scheme was already in the pipeline when the directive was issued. But the government's case looked shaky, and a defeat would have been a severe embarrassment.

It is also illuminating to consider the identity of the MP whose written Commons question voicing concern over Oxleas Wood provided the peg for the government's U-turn. Mr Peter Bottomley, the Conservative member for Eltham, recently emerged as one of the ring-leaders in a Tory backbench rebellion over the government's controversial railway privatisation legislation. With the Railways Bill facing its grueling final passage through the Commons after the summer recess, the government may now be hoping to find itself with one fewer rebel.

How much significance the Oxleas Wood campaign holds for other planning disputes is therefore open to debate. Environmental campaigners are already drawing up a list of battles to fight over other sites but, in reality, Oxleas Wood looks like an isolated case. Transport ministers, it seems, have not gone green: they have merely gone pragmatic.

Cause of low-grade jobs

From Mr R S Musgrave.

Sir, Richard Seager suggests (Letters, July 1) that labour market flexibility in the US has reduced unemployment but has also led to low grade jobs, and that Europe should be wary of this flexibility. I am baffled as to how labour market flexibility in itself stops an employer creating a high grade job. The truth is that such flexibility merely reduces unemployment, and that is all its advocates claim for it.

As to the real wage or

"grade" of work done, this is determined by a range of factors such as technical competence - where the US has lost much of its lead to Japan. Another factor is terms of trade, where the US has also lost out. It is the deterioration of these factors, not labour market flexibility, that explains the US's relative decline.

R S Musgrave, 34 Garden Avenue, Framwellgate Moor, Durham DH1 5EQ

Another facet of political levies

From Mr Julian E Smith.

Sir, The hearts of readers must be bleeding for your correspondent Mr R Stewart of Ayr (Letters, July 3/4) who was apparently: (a) forced to become a shareholder in a UK quoted company; and (b) unaware that the perusal of a company's annual report will provide useful information on its accounting and political policies.

In view of his strongly held opinion that "it should be left to individuals to decide to

whom and by how much they wish to support any political party", it would be unwise for him to move to Germany. Here, he would find that a portion of any taxes he pays would be likely to be used to finance every political party while, at the same time, he would be prohibited from voting for any party at any level of election.

Julian Smith, Bussardweg 11, D-61440 Oberursel 4, Germany

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Long hours not necessarily smart hours

From Mr Paul Williams.

Sir, You rightly highlight the serious social consequences of long working hours ("Macho Managers", July 3). However, the equally serious problem is the damage they inflict on the UK's already appalling competitive situation.

The debate as a whole is completely on the wrong tack and obscured by the ambiguity of one government arm describing average 55-hour weeks as "outrageous" while another fights in the European

trenches for 48-hours.

The reality is that working harder (meaning longer) may assuage job-fears, may be macho, may even be the last twinge of the Puritan mind. However, it is counter-productive to real output, as any serious research demonstrates.

Worse still, as my own experience as a Citibank general manager and subsequently at XTAQ confirms, upwards of 90 per cent of the remaining truly "productive" time is continuously misapplied in uneces-

sary, or poorly handled, work. This is true from top to bottom of most organisations, with breathtaking implications for UK plc's bottom-line.

So the awful truth: after decades of worrying about investment, trades unions, technology and any other excuse we can lay our hands on, our international competitors still work smarter and shorter hours.

There is no magic to this and, thankfully, the good news is that structured solutions are

available, applied and working very successfully.

The question is whether our culture can cope with a new hero: the man leaving on time, his tasks successfully and effectively complete. Or must he remain the last man at his desk, groaning over his overflowing filing trays?

Paul Williams, chief executive, XTAQ, 18th floor, St Albans House, 2 Fore Street, London EC2

Profit in national pride

From Mr Brian H Gill.

Sir, Your leader, "Defence of the nation" (July 6), was, as one expects, cool, clear, calm and objective. However, I must take issue with one comment you make: that "a romantic view of Britain's past" should not be the guiding principle of UK defence commitments.

The fundamental flaw is that such a statement ignores the as-yet unquantifiable "profit" that a nation derives from pride in itself. It is clear from the substantial coverage that the tabloid press gives to the way that "our boys are the best/braVEST... that the constituency that takes pride in the actions and achievements of the UK armed forces in

"far-flung trouble spots" is not made up solely of what one might term "aging half-colonels in the home counties".

I hold no brief for the tabloid leadership, but it does seem to me that pride in our armed forces and their achievements is one of the things (alas all too few these days) that enhances our fellow countrymen's psychological well-being. This crucial aspect is, of course, unfortunately (and wrongly) not included as a "credit" in the balance sheets generated by the Treasury's all-knowing computer.

Brian H Gill, 361 Grove Street, Deptford Wharf, London SE8 3PZ

Postal insurance jumped too

From Mr Jeremy Cockayne.

Sir, H N Harrison's letter (June 2) about the 83 per cent increase in the charge for recorded delivery is only half the story.

The Post Office has also increased the price of registered post from £1.90 to £3, while at the same time reduc-

ing the insurance cover provided - from £500 to £500. For those of us who regularly use the service, this represents a whopping 200 per cent increase in the cost of insurance per £ covered.

Jeremy Cockayne, 23 St Paul's Square, York YO2 4BD

INTERNATIONAL COMPANIES AND FINANCE

Hoechst, Schering to merge units

By Christopher Parkes
in Frankfurt

HOECHST and Schering, two of Germany's leading chemical companies, are to merge their plant protection divisions in a joint venture with annual sales of about DM3.4bn (\$2.1bn), the companies announced yesterday.

According to a letter of intent, Hoechst will hold a controlling 60 per cent stake. If there are no objections from the cartel authorities, the Berlin-based business should start operating at the beginning of 1994.

The move, an important further step in the consolidation of the international chemicals industry, has been forced by the combined effects of recession and reforms of the common agricultural policy (Cap). The Hoechst division, employing 5,300 people, had sales of DM2.1bn last year, about 5 per cent of the group's total. At Schering, 3,900 are employed in plant protection, which had sales of DM1.3bn accounting for 20 per cent of group turnover.

While some factories are expected to close and jobs will

The French tranche of the public share offer for Franco-German pharmaceutical group Roussel-Uclaf was largely oversubscribed, the Paris bourse said. The offer closed on Thursday and Roussel-Uclaf shares will resume trading Monday, AP-DJ reports.

The bourse said buyers would get 44.57 per cent of their orders. After the "clawback" of 584,791 shares from the international tranche, 4,483,398 shares were sold in Paris at FF563 a share, compared with requests for 10,057,407 shares.

The shares had belonged to Rhône-Poulenc, the French state-controlled chemicals and drug group, and represented 35 per cent of Roussel-Uclaf's capital.

be lost, neither company could give any details.

The full impact would not be known until the form of the business had been decided during further negotiations, Hoechst said.

Schering relies on the European market for 70 per cent of its sales, which plummeted 23 per cent in the first quarter. German trade was hit by the withdrawal of traditional rebates on early orders, while Cap reforms were blamed for an 18 per cent year-on-year drop in volumes.

With pesticides, weed killers and fungus treatments off its hands, the company will focus on its core business in pharmaceuticals.

Schering has about 18 per

cent of the world market for contraceptive drugs and claims global leadership in contrast fluids - diagnostic aids used for X-rays and scanning.

The Hoechst business, partly because of its size and its lesser dependence on the European market, has proved more resilient to recent shocks. It makes 30 per cent of its sales in the US, where profits have helped offset operating losses in Europe, which accounts for half the division's turnover.

The merger strengthens Hoechst's position in herbicides, which account for more than 80 per cent of its agrochemical sales, and more than 40 per cent of Schering's turnover in this sector.

In spite of the impact of Cap

set-aside schemes on arable crops, the herbicides market, accounting for 40 per cent of EC agrochemical sales, is considered reasonably robust.

Even so, analysts reckon that the total European market for agrochemicals will shrink by up to 20 per cent over the next three years.

Hoechst said yesterday that companies competing in the sector needed critical mass and resources in order to develop and produce a continuous stream of profitable new products.

The agrochemicals business of Roussel-Uclaf, France's third largest pharmaceutical group in which Hoechst holds a 54.5 per cent stake, is set to be merged with the joint venture.

Mr Edouard Sakiz, Roussel's president, said last week his agrochemical operations were not large enough to survive on their own and that if the German groups' agrochemical merger was achieved, then much of the French company's operations would be added to the venture.

The division had sales last year of FF3.44bn (\$637.6m), representing about 23 per cent of group turnover.

BCH rises 34.8% to Pta98.5bn in first half

By Tom Burns in Madrid

BANCO Central Hispano (BCH), Spain's largest bank in terms of assets, yesterday reported sharply improved first-half results, raising its operating profit by 34.8 per cent to Pta8.5bn (\$744m).

Mr Jose Maria Amusatagui, chairman, said BCH had overcome the difficulties of the 1991 merger between its constituent parts, Banco Central and Banco Hispanoamericano, and was on the road to sustained profitability.

The bank, which saw its 1992 profits fall by 22 per cent to Pta5.6bn after negative results in the second half of last year, posted net profits of Pta38.4bn in the first six months of this year, 4 per cent up on the first half of 1992.

The bottom-line profit came after putting aside Pta38.1bn for provisions, 84 per cent more than at the six-month stage last year.

Mr Amusatagui, who took over the reins of the bank late last year and has since reshuffled its senior management, said BCH would this year easily improve on 1992's net income.

Mr Amusatagui said that on the advice of Merrill Lynch, the US investment bank, BCH intended to place 2m shares, representing just under 1 per cent of its share capital, on the international markets.

The offering, worth Pta5.9bn at Madrid market prices, involves shares held by Dragados, the BCH-controlled construction company.

The decision to offer bank shares follows a series of favourable reports by financial houses, including Merrill Lynch, on a prospective turnaround at BCH. Mr Amusatagui said it was useful for the bank to present itself on the international markets.

Investors rush for Woolworths

By Bruce Jacques in Sydney

THE A\$2.45bn (US\$1.6bn) flotation of Woolworths, the Australian retailer, due to be listed on Monday, has been heavily oversubscribed, perhaps by a factor of four or five.

The rush of investor interest is likely to present the vendors, Industrial Equity (IEL), with problems in allocating shares between public and institutional investors.

Analysts said IEL may reduce allocations.

IBM chairman rules out restructure in near future

By Louise Kehoe
in San Francisco

Mr Lou Gerstner, International Business Machines' new chairman and chief executive, has told senior managers he does not intend to restructure the company in the near future.

However, his new management approach could raise questions about some aspects of the reshaping of IBM UK.

As he comes to grips with the problem of reversing IBM's decline, Mr Gerstner has rejected calls from some IBM managers and many industry analysts for a radical overhaul of the company's management structure.

"I do not want the company focusing on internal changes in the next 12 to 18 months, but rather on customers, marketplaces and competitors," Mr Gerstner said in a memorandum sent to senior managers last week.

"It is not clear to me that there is a demonstrably better alternative [to the current structure], that eliminates the need for sophisticated management approaches," he said.

While continuing with the changes set in motion by Mr John Akers, his predecessor, to give IBM's product manufacturing and regional sales and marketing groups greater responsibility for their financial performance, Mr Gerstner has balked at the idea of cutting ties with central management.

The "federation of increas-



Lou Gerstner: 'Autonomous is the word that drives me crazy'

ingly autonomous business units' envisioned by Mr Akers is a thing of the past. "Autonomous is the word that drives me crazy," Mr Gerstner has said in management meetings.

Instead, he has set about improving efficiency and responsiveness to customers within IBM's structure.

Mr Gerstner, in addressing the company's most contentious internal problem, has called for a clear delineation of responsibilities between the company's national or regional sales and marketing organisations versus its product manufacturing groups.

The product groups - called lines of business in IBM jargon - are to be given increased responsibility for sales and marketing.

"Lobs should have dedicated

sales resources in each geography," Mr Gerstner said. "The Lobs should be heavily involved in determining the size, skill, training and compensation of these dedicated resources."

This represents a significant shift of power and responsibilities away from IBM's country and regional managers. IBM's product groups, most of which have headquarters in the US, will have increased influence over international sales and marketing operations.

Mr Gerstner's directive could raise questions about IBM UK's recently announced plans to divide its operations into 30 separate businesses.

The IBM UK plan now appears to be a regional implementation of Mr Akers' strategy, rather than a reflection of Mr Gerstner's current thinking.

Indeed, the potential for conflict among IBM UK's newly formed business units is what Mr Gerstner is attempting to eliminate.

Under the IBM UK reorganisation plan, a mainframe computer sale to a bank could be made by the banking business sales and marketing unit, or by a sales team dedicated to the Enterprise Systems (mainframe) product group.

"Duplication and complication should be avoided," Mr Gerstner said in his memo to managers. "It is my expectation that we will complete all of this [the company-wide strategy] within the next 90 days."

Wallenbergs sell stake in Christies

By Christopher Brown-Humes
in Stockholm

INVESTOR, the Wallenberg family's main holding company, has sold its 7.5 per cent stake in Christies International, the UK auction house, in a further consolidation of its shareholding portfolio.

Terms of the deal have not been disclosed, but at Wednesday's closing price of 191p, the disposal of 11.8m shares is worth £22.7m (\$34.9m).

The shares were bought by Goldman Sachs which has placed most of them with institutional investors.

Investor said the move had been made to cut debt and concentrate activities on Saab-Scania, the aerospace and automotive group, and other core shareholdings.

Last month, the group raised SKr3bn (\$416.7m) through the sale of its shareholding in Asea, the joint owner of the Asea Brown Boveri combine, as part of this strategy.

Investor built up its stake in Christies during 1989 and 1990 at a time when the UK group's share price was much higher than it is today.

The stake formed part of Investor's trading portfolio and never ranked alongside its holdings in many of Sweden's blue chip companies as a strategic investment.

Agusta losses widen to L858bn

By Haig Simonian in Milan

AGUSTA, the Italian helicopter group which is part of the Efim state holding company in liquidation, saw losses increase sharply to L858bn (\$579m) last year, up from L180bn in 1991.

It lost almost one lira for every lira received in sales which amounted to L937bn, up 39 per cent on 1991.

Agusta's losses lend weight to the view that it represents the most serious of Efim's problems.

The company is being run by Finmeccanica, the state-controlled engineering and aerospace concern, pending a

final decision on its fate.

Agusta, which collaborates with Westland of the UK on the EH101 helicopter project, said its order book was worth L4,800bn.

Gross operating profits were L41bn last year. However, earnings had been affected by heavy debts, high interest rates and currency movements.

Agusta's net indebtedness amounted to about L280bn last year.

The company lost about L180bn because of currency factors linked to the fall in the lira's value. About L50bn was written off to cover early retirements, with the work-

force falling by more than 1,500 people to 8,286, while other unspecified losses amounted to L280bn.

Merloni, the Italian white goods group best known for its Ariston brand, has taken majority control of two Turkish white goods producers owned by the Vestel group.

The acquisition follows the purchase in June 1992 of an opening 25 per cent stake in the companies, along with options to buy at least 26 per cent more within two years.

Merloni is paying \$8.5m for a further 29 per cent of Pekel Teknik and Pekel Pazari and is investing \$14m in a Pekel Teknik rights issue.

Unauthorised deals at Nippon Steel

By Robert Thomson in Tokyo

NIPPON Steel Chemical, a listed chemicals subsidiary of Nippon Steel, the largest Japanese steel maker, has foreign exchange losses of ¥13.9bn (\$130m) on unauthorised trades made by an accounting division chief attempting to lift the company's investment income.

The losses were uncovered after the death of the division chief in late May. The company said there were no suspicious circumstances, but, on checking its books, found he had lost ¥13.9bn in playing dollar future markets.

It is common for Japanese manufacturing companies to supplement their core profits with *zaibatsu*, sometimes speculative financial investments, which have left otherwise conservative companies with large losses following the stock market collapse and currency market volatility.

Nippon Steel Chemical has a reputation that foreign currency investments of more than ¥100m need board approval, but the division chief apparently had invested the equivalent of ¥1.2bn in contracts now worth ¥3.4bn.

Mr Enji Moriguchi, the company's chairman, has offered to resign after preparations were made to deal with the loss, which is expected to be written off over the next two years and covered by the sale of shares and other assets.

"We are now studying ways to strengthen our management system and control financial investments," the company said. Nippon Steel Chemical, based in Tokyo, produces carbon materials, chemicals and construction supplies.

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Nippon Steel said the subsidiary had an independent management, which must take responsibility.

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"We are

FOREIGN EXCHANGES

Intervention fails the franc

THE French franc again came under strong pressure inside the European exchange rate mechanism yesterday, forcing the Bank of France to support the currency through repeated intervention, writes James Blitz.

In early morning trading in Europe, the franc fell through the FF3.40 level, a little more than 3 centimes above its ERM floor against the D-Mark of FF3.4330. It later closed at FF3.399 from a previous FF3.385.

Yesterday's intervention by the French central bank was covert, and dealers were uncertain as to its size. One London-based analyst suggested that the French authorities had spent around \$100m supporting the currency in recent days, which would constitute a sizeable chunk of reserves.

Other observers dubbed this an exaggeration. Given the state of the recession in France, the authorities would find it hard

to defend the currency by raising interest rates, and may have had back their reserves for another day.

There were differences of opinion over what kind of selling of francs was taking place. A commonly held view was that much of the selling was coming from French companies rather than international players, such as the US hedge funds.

Others suspected that the selling was short-term and speculative. Mr Jeremy Hawkins, economic adviser at Bank of America, said it was hard to tell the fight out of francs and into D-Marks seriously, given the German currency's significant overvaluation in Europe. "This buying of D-Marks somehow seems artificial," he said.

There was little doubt that the franc would come under more pressure next week unless the Bundesbank eased pressure on the franc by easing

monetary policy. One London-based analyst said that a cut in the Lombard rate at next week's Bundesbank council meeting could pacify the markets. Others said that another salami-slice cut in interest rates from the Bundesbank would be ignored by the markets.

The pressure on the franc was at the centre of another flight into the German currency and assets which pushed down the Italian lira, the Spanish peseta and the Swedish krona. A notable victim yesterday was the Danish krone, which fell from Dkr3.8550 early in London trading to close at around Dkr3.8650.

The dollar rallied sharply against the D-Mark, helped by expectations that the Bundesbank would ease policy and next week and the "safe haven" status it enjoys at times of crisis. The US currency closed more than 1½ pennings higher at DML72.10.

£ IN NEW YORK

£/US\$	Jul 9	Jul 10	Jul 11
1 month	1.4905	1.4915	1.4905
3 months	1.4850	1.4860	1.4850
6 months	1.4800	1.4810	1.4800
12 months	1.4750	1.4760	1.4750

STERLING INDEX

£/US\$	Jul 9	Jul 10	Jul 11
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

CURRENCY RATES

Currency	Jul 9	Jul 10	Jul 11
Australian \$	0.6344	0.6344	0.6344
Belgian Franc	0.0000	0.0000	0.0000
Canadian \$	0.6344	0.6344	0.6344
Danish Krone	0.0000	0.0000	0.0000
Deutsche Mark	0.0000	0.0000	0.0000
French Franc	0.0000	0.0000	0.0000
Italian Lira	0.0000	0.0000	0.0000
Japanese Yen	0.0000	0.0000	0.0000
Swedish Krona	0.0000	0.0000	0.0000
Swiss Franc	0.0000	0.0000	0.0000
US Dollar	1.4905	1.4915	1.4905

CURRENCY MOVEMENTS

Currency	Jul 9	Jul 10	Jul 11
Australian \$	0.6344	0.6344	0.6344
Belgian Franc	0.0000	0.0000	0.0000
Canadian \$	0.6344	0.6344	0.6344
Danish Krone	0.0000	0.0000	0.0000
Deutsche Mark	0.0000	0.0000	0.0000
French Franc	0.0000	0.0000	0.0000
Italian Lira	0.0000	0.0000	0.0000
Japanese Yen	0.0000	0.0000	0.0000
Swedish Krona	0.0000	0.0000	0.0000
Swiss Franc	0.0000	0.0000	0.0000
US Dollar	1.4905	1.4915	1.4905

OTHER CURRENCIES

Currency	Jul 9	Jul 10	Jul 11
Australian \$	0.6344	0.6344	0.6344
Belgian Franc	0.0000	0.0000	0.0000
Canadian \$	0.6344	0.6344	0.6344
Danish Krone	0.0000	0.0000	0.0000
Deutsche Mark	0.0000	0.0000	0.0000
French Franc	0.0000	0.0000	0.0000
Italian Lira	0.0000	0.0000	0.0000
Japanese Yen	0.0000	0.0000	0.0000
Swedish Krona	0.0000	0.0000	0.0000
Swiss Franc	0.0000	0.0000	0.0000
US Dollar	1.4905	1.4915	1.4905

FORWARD RATES

Currency	Jul 9	Jul 10	Jul 11
Australian \$	0.6344	0.6344	0.6344
Belgian Franc	0.0000	0.0000	0.0000
Canadian \$	0.6344	0.6344	0.6344
Danish Krone	0.0000	0.0000	0.0000
Deutsche Mark	0.0000	0.0000	0.0000
French Franc	0.0000	0.0000	0.0000
Italian Lira	0.0000	0.0000	0.0000
Japanese Yen	0.0000	0.0000	0.0000
Swedish Krona	0.0000	0.0000	0.0000
Swiss Franc	0.0000	0.0000	0.0000
US Dollar	1.4905	1.4915	1.4905

MONEY MARKETS

French rates soar

FRENCH franc money market interest rates rose sharply yesterday, as the currency fell below the FF3.40 level against the D-Mark, writes James Blitz.

As pressure on the franc intensified on the foreign exchanges, French interest rates rose above their German counterparts for the first time in several months.

This was seen as the clearest indication this week that investors are once again treating the franc as a possible candidate for devaluation.

UK clearing bank base lending rate 6 per cent from January 26, 1993

At the same time, there was a slightly more optimistic outlook for German interest rate reductions because dealers believed that the Bundesbank would have to ease policy soon if the franc fort policy was to hold.

Three month French franc interest rates rose by nearly 100 basis points on the bid side in the European morning, from 7.52 per cent to 8.43 per cent. After lunchtime, they fell back to around 7.75 per cent, even though the currency remained firmly below the FF3.40 level against the D-Mark.

This left French franc interest rates some 50 basis points higher than Germany's, which closed at around 7.25 per cent.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Jul 9	Jul 10	Jul 11
Australian \$	0.6344	0.6344	0.6344
Belgian Franc	0.0000	0.0000	0.0000
Canadian \$	0.6344	0.6344	0.6344
Danish Krone	0.0000	0.0000	0.0000
Deutsche Mark	0.0000	0.0000	0.0000
French Franc	0.0000	0.0000	0.0000
Italian Lira	0.0000	0.0000	0.0000
Japanese Yen	0.0000	0.0000	0.0000
Swedish Krona	0.0000	0.0000	0.0000
Swiss Franc	0.0000	0.0000	0.0000
US Dollar	1.4905	1.4915	1.4905

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Currency	Jul 9	Jul 10	Jul 11
Australian \$	0.6344	0.6344	0.6344
Belgian Franc	0.0000	0.0000	0.0000
Canadian \$	0.6344	0.6344	0.6344
Danish Krone	0.0000	0.0000	0.0000
Deutsche Mark	0.0000	0.0000	0.0000
French Franc	0.0000	0.0000	0.0000
Italian Lira	0.0000	0.0000	0.0000
Japanese Yen	0.0000	0.0000	0.0000
Swedish Krona	0.0000	0.0000	0.0000
Swiss Franc	0.0000	0.0000	0.0000
US Dollar	1.4905	1.4915	1.4905

EURO-CURRENCY INTEREST RATES

Currency	Jul 9	Jul 10	Jul 11
Australian \$	0.6344	0.6344	0.6344
Belgian Franc	0.0000	0.0000	0.0000
Canadian \$	0.6344	0.6344	0.6344
Danish Krone	0.0000	0.0000	0.0000
Deutsche Mark	0.0000	0.0000	0.0000
French Franc	0.0000	0.0000	0.0000
Italian Lira	0.0000	0.0000	0.0000
Japanese Yen	0.0000	0.0000	0.0000
Swedish Krona	0.0000	0.0000	0.0000
Swiss Franc	0.0000	0.0000	0.0000
US Dollar	1.4905	1.4915	1.4905

EXCHANGE CROSS RATES

Currency	Jul 9	Jul 10	Jul 11
Australian \$	0.6344	0.6344	0.6344
Belgian Franc	0.0000	0.0000	0.0000
Canadian \$	0.6344	0.6344	0.6344
Danish Krone	0.0000	0.0000	0.0000
Deutsche Mark	0.0000	0.0000	0.0000
French Franc	0.0000	0.0000	0.0000
Italian Lira	0.0000	0.0000	0.0000
Japanese Yen	0.0000	0.0000	0.0000
Swedish Krona	0.0000	0.0000	0.0000
Swiss Franc	0.0000	0.0000	0.0000
US Dollar	1.4905	1.4915	1.4905

FOUNDER - DOLLAR

Currency	Jul 9	Jul 10	Jul 11
Australian \$	0.6344	0.6344	0.6344
Belgian Franc	0.0000	0.0000	0.0000
Canadian \$	0.6344	0.6344	0.6344
Danish Krone	0.0000	0.0000	0.0000
Deutsche Mark	0.0000	0.0000	0.0000
French Franc	0.0000	0.0000	0.0000
Italian Lira	0.0000	0.0000	0.0000
Japanese Yen	0.0000	0.0000	0.0000
Swedish Krona	0.0000	0.0000	0.0000
Swiss Franc	0.0000	0.0000	0.0000
US Dollar	1.4905	1.4915	1.4905

FT LONDON INTERBANK FIXING

Currency	Jul 9	Jul 10	Jul 11
Australian \$	0.6344	0.6344	0.6344
Belgian Franc	0.0000	0.0000	0.0000
Canadian \$	0.6344	0.6344	0.6344
Danish Krone	0.0000	0.0000	0.0000
Deutsche Mark	0.0000	0.0000	0.0000
French Franc	0.0000	0.0000	0.0000
Italian Lira	0.0000	0.0000	0.0000
Japanese Yen	0.0000	0.0000	0.0000
Swedish Krona	0.0000	0.0000	0.0000
Swiss Franc	0.0000	0.0000	0.0000
US Dollar	1.4905	1.4915	1.4905

MONEY RATES

Currency	Jul 9	Jul 10	Jul 11
Australian \$	0.6344	0.6344	0.6344
Belgian Franc	0.0000	0.0000	0.0000
Canadian \$	0.6344	0.6344	0.6344
Danish Krone	0.0000	0.0000	0.0000
Deutsche Mark	0.0000	0.0000	0.0000
French Franc	0.0000	0.0000	0.0000
Italian Lira	0.0000	0.0000	0.0000
Japanese Yen	0.0000	0.0000	0.0000
Swedish Krona	0.0000	0.0000	0.0000
Swiss Franc	0.0000	0.0000	0.0000
US Dollar	1.4905	1.4915	1.4905

LONDON MONEY RATES

Currency	Jul 9	Jul 10	Jul 11
Australian \$	0.6344	0.6344	0.6344
Belgian Franc	0.0000	0.0000	0.0000
Canadian \$	0.6344	0.6344	0.6344
Danish Krone	0.0000	0.0000	0.0000
Deutsche Mark	0.0000	0.0000	0.0000
French Franc	0.0000	0.0000	0.0000
Italian Lira	0.0000	0.0000	0.0000
Japanese Yen	0.0000	0.0000	0.0000
Swedish Krona	0.0000	0.0000	0.0000
Swiss Franc	0.0000	0.0000	0.0000
US Dollar	1.4905	1.4915	1.4905

FINANCIAL FUTURES AND OPTIONS

Currency	Jul 9	Jul 10	Jul 11
Australian \$	0.6344	0.6344	0.6344
Belgian Franc	0.0000	0.0000	0.0000
Canadian \$	0.6344	0.6344	0.6344
Danish Krone	0.0000	0.0000	0.0000
Deutsche Mark	0.0000	0.0000	0.0000
French Franc	0.0000	0.0000	0.0000
Italian Lira	0.0000	0.0000	0.0000
Japanese Yen	0.0000	0.0000	0.0000
Swedish Krona	0.0000	0.0000	0.0000
Swiss Franc	0.0000	0.0000	0.0000
US Dollar	1.4905	1.4915	1.4905

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Australian \$	0.6344	0.6344	0.6344
Belgian Franc	0.0000	0.0000	0.0000
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French Franc	0.0000	0.0000	0.0000
Italian Lira	0.0000	0.0000	0.0000
Japanese Yen	0.0000	0.0000	0.0000
Swedish Krona	0.0000	0.0000	0.0000
Swiss Franc	0.0000	0.0000	0.0000
US Dollar	1.4905	1.4915	1.4905

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Canadian \$	0.6344	0.6344	0.6344
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Deutsche Mark	0.0000	0.0000	0.0000
French Franc	0.0000	0.0000	0.0000
Italian Lira	0.0000	0.0000	0.0000
Japanese Yen	0.0000	0.0000	0.0000
Swedish Krona	0.0000	0.0000	0.0000
Swiss Franc	0.0000	0.0000	0.0000
US Dollar	1.4905	1.4915	1.4905

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Deutsche Mark	0.0000	0.0000	0.0000
French Franc	0.0000	0.0000	0.0000
Italian Lira	0.0000	0.0000	0.0000
Japanese Yen	0.0000	0.0000	0.0000
Swedish Krona	0.0000	0.0000	0.0000
Swiss Franc	0.0000	0.0000	0.0000
US Dollar	1.4905	1.4915	1.4905

Strike	Calls-settlements		Puts-settlements		Strike	Calls-settlements		Puts-set
Price	Sep	Dec	Sep	Dec	Price	Sep	Dec	Sep
9275	0.54	1.24	0.03	0.02	1025	1.89	2.45	0.42
9300	0.33	1.00	0.07	0.03	1030	1.54	2.17	0.57
9325	0.13	0.32	0.17					

	No 1 Southwark Bridge, London SE1 8YU.	
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* FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

INSURANCES

OTHER UK UNIT TRUSTS

[illegible]

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[illegible]

	Bid Price	Offer Price	↓ or ↑	Yld Gr
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BERMUDA (SIB RECOGNISED)

	Init Charge	Cash Price	Std Price	Offer Price
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Call Charge	Current Price	Bid Price	Offer Price	+ or - %	Yield
-------------	---------------	-----------	-------------	----------	-------

Barling Intl Fd Managers (Guernsey) Ltd
PO Box 258, St Peter Port, Guernsey GY4 0AB
Guernsey
Barling Money 3 72 0330 1 72530 1 0005 1 0005 5

07-2014

[illegible]

	Ball Charge	Case Price	Std. Price	Offer Price	+ or -
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GT ASEAN A	2	37.53	38.08	
GT ASEAN B	3	38.20		-0.64
GT ASEAN C	2	37.56		
GT Asia A	5	18.42	28.23	-0.95

Reserve Assets Bond ..	1	1.1044	+1.00%
Selector UK	2	0.9828	+0.60%
US Small Company	2	0.9805	+0.90%
Profile - International Bond St.			

Net Fund Management Charge—\$1.41

Shareholders Fund	36.77	1
Trading Fund	810.19	1
GT Asset Management (Ireland) Ltd		

Morgan Grenfell Fund Mgrs (Ireland) Ltd				
Latin American Bondy	513.78			

[illegible]

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FINANCIAL TIMES WEEKEND JULY 10/JULY 11 1993

[illegible][illegible]

	1997	1998	1999
Barbara Hargraves	54	50	0
Barbara Hargraves	54	50	0
Randall Jones	43	41	-1
Robert Jones	28	28	0
Robertson Chrl	18	18	0
Rust Paul	78.25	78	-0.25
Rust Paul	78.25	78	-0.25
Sam (CNC) Lee	62.75	62	-0.75
Samuel & Rennie	52.75	52	-0.75
SA Iron Corp	53.25	53	-0.25
Southland	119.75	119	-0.75
Southland	119.75	119	-0.75
Tongue Hdrft	25	25	0
Tongue Hdrft	25	25	0
Western Air	15.25	15	-0.25
Western Air	15.25	15	-0.25
Western Deep	13.58	13	-0.58
WIR	92	92	0

AUSTRALIA (cont'd)			
	1997	1998	1999
Adairson Gold	15	15	0
Adairson Gold	15	15	0
Lin Mether	2.78	2.78	0
Lin Mether	2.78	2.78	0
Maryann McNeill	7.52	7.52	0
Maryann McNeill	7.52	7.52	0
McNeil Aust	6.85	6.85	0
McNeil Aust	6.85	6.85	0
Newmont	4.95	4.95	0
Newmont	4.95	4.95	0
North Star	2.23	2.23	0
North Star	2.23	2.23	0
North Star Pk	2.97	2.97	0
North Star Pk	2.97	2.97	0
Pacific Gold	1.71	1.71	0
Pacific Gold	1.71	1.71	0
Pacific	2.52	2.52	0
Pacific	2.52	2.52	0
Placer Perseus	3.25	3.25	0
Placer Perseus	3.25	3.25	0
POM Resources	4.03	4.03	0
POM Resources	4.03	4.03	0
Queensland	1.88	1.88	0
Queensland	1.88	1.88	0
Refinery Aust	8.90	8.90	0
Refinery Aust	8.90	8.90	0
Robinson	5.54	5.54	0
Robinson	5.54	5.54	0
Smith Aust	5.34	5.34	0
Smith Aust	5.34	5.34	0
Standard Tech	3.27	3.27	0
Standard Tech	3.27	3.27	0

[illegible][illegible]

GA-1272
Nikkei gain

WORLD STOCK MARKETS

AMERICA

Airlines sold again as Dow flattens out

Wall Street

US stock markets ended a week of volatile price swings on a subdued note yesterday, with stocks little changed in light trading, writes Patrick Harper in New York.

At 1 pm, the Dow Jones Industrial Average was up only 2.49 at 3,519.51. The more broadly based Standard & Poor's 500 was 0.72 lower at 447.92, while the Amex composite was up 0.87 at 433.22, and the Nasdaq composite up 1.55 at 704.28. Trading volume on the NYSE was 144m shares by 1 pm.

EUROPE

DAX 1,800 breakthrough reversed at close

THE question of the day was whether Frankfurt would extend its upward and take the DAX index through 1,800. Its limited success in this endeavour left bourses looking more sedate than they had done over the previous two days, writes Our Markets Staff.

FRANKFURT failed to sustain its DAX breakthrough and the index closed up 13.71 on the day at 1,797.41 after a high of 1,804.56. It was still 5.9 per cent firmer on the week.

Turnover was expected to remain high after Thursday's DM15.5bn. The Goldman Sachs strategists, Mr Sushil Wadhvani and Mr Mushtaq Shah, wrote yesterday that a short-term bubble was now probable, with underweight foreign investors continuing to be drawn in and a 1,800-1,900 range on the cards. "However," they said, "valuation considerations suggest to us that the medium-term upside is likely to be relatively limited."

Meanwhile, non-cyclical were allowed to shine with Allianz up DM43 to DM43.03, Deutsche Bank adding DM7.50 to DM725.50 and Schering DM24.40 to DM24.93. Mr Mark Tracey at Goldman Sachs said that Schering's merger of its agrochemical interests made it more of a pure healthcare company; that an important drug approval was expected imminently in the US; and a licen-

On Tuesday, prices fell sharply on concerns about the economy, corporate earnings and rising commodities prices. Over the following two days, however, the markets staged an impressive rally, aided by a downturn in commodities prices and some rare good economic news. By yesterday, it was clear that investors and dealers had exhausted their interest in equities, at least temporarily.

Trading throughout the morning was light, and stocks barely moved from their opening values. Although commodities prices picked up again, prompting a brief sell-off in

bonds, the equity markets paid little attention.

Airlines were once again in the firing line, although this time it was not fears of rising fuel costs, but worries about the impact on earnings of the latest round of price competition, and disappointing June air travel figures, that did most of the damage. USAir suffered the most, falling 1% to \$14 in volume of 1.2m shares. Also lower were Delta, down 1% at \$47.44, AMR (parent of American Airlines), down 1% at \$51.41, and United, down 1% at \$51.21.

Car stocks were higher as a group, as investor confidence in the outlook for car sales and

corporate profits continued to build. Chrysler put on 1% at \$47.74, General Motors 1% at \$47.74, and Ford 1% at \$51.41.

Baxter International dropped 1% to \$27.14 in heavy trading after the company said that it expected second quarter operating income to come in below the \$252m earned a year ago.

Bristol-Myers Squibb rose 1% to \$58.00 on reports that the company has had some success in fighting lung and colon cancer in animals with a combination of its cancer drug and monoclonal antibodies.

Compaq firming 1% to \$45 after SG Warburg raised its investment rating on the stock

from a "hold" to a "buy".

Canada

TORONTO continued its retreat from the 4,000 level as the TSE-300 composite index fell 14.01 to 3,905.85 at midday. Volume fell from 39.3m to 33.6m shares.

Oil and gas stocks recovered slightly from Thursday's setback with a rise of 3.50 to 4,612.57. But precious metals continued their downward career, the gold and silver index dropping by 158.74, or 1.7 per cent to 9,104.08 against a recent year's high of 9,862.35.

Mexico vulnerable to shifts in Nafta talks

Economic woes also persist, writes Damian Fraser

If you like to gamble," says Mr Felix Boni, head of research at the Mexican brokerage, Interacciones, "gamble that there will be a North American Free Trade Agreement by January, and buy Mexican stocks."

Mr Boni sums up the driving force behind the equity market: with Nafta in trouble for much of this year, the market has drifted from 1,750 at the beginning of January to around 1,700 at midseason yesterday. Occasional good news on Nafta has sent the market up, only for it to fall again on some unexpected bad news.

The last two weeks have been no different. Ten days ago, the market fell by nearly 2 per cent in a few hours as a US federal judge ordered the Clinton administration to conduct a lengthy study of Nafta's environmental impact, potentially delaying the treaty to next year, or even derailing it.

But this week the bolso has surged, partly as investors reckoned that last week's pessimism over Nafta had been overdone.

Salomon Brothers, for instance, argues that last week's ruling by the judge will be repealed, or ignored, and that negotiations on parallel agreements on labour and the environment will be wrapped up by the end of August.

If the economy was in better shape, then the Nafta talks would doubtless be less important to investors. But the government has been forced this year to run a budget surplus and push interest rates over 5 per cent in real terms to slow inflation, reduce demand for imports, and finance a \$300m trade deficit.

However, if Nafta is passed, more foreign capital is likely to flow into Mexico, and the government could lower interest rates and increase spending without endangering its exchange and inflation rate targets. An agreement should, therefore, boost company sales and lower their financial costs.

Under this scenario equities would look a bargain: the 30 largest listed stocks tracked by

Baring Securities are trading at an estimated 1993 p/e ratio of just 10.3, compared with 14.9 in Chile, 12.5 in Argentina, and 10.4 in Brazil.

But, as yet, there is no sign of a pick-up in the economy: first quarter growth was a modest 2.4 per cent, with some manufacturing sectors actually shrinking, and no-one is forecasting an expansion of more than 3 per cent for the year.

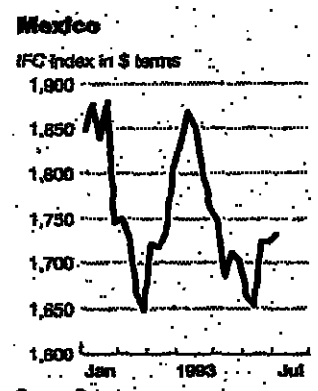
The sluggish economy helped lower first quarter aver-

recks earnings will be flat, or possibly down. Mr Heyman says that there will be a wide disparity in performance both between and within sectors, suggesting the importance of individual stock selection.

Investors' attention will be fixed on Telcel, the exchange's largest stock in terms of market capitalisation, whose share price is already down nearly 20 per cent in the past six months.

Telcel reported a 4.3 per cent decrease in profits and a worse than expected increase in revenues for the first quarter. Last month it warned that the second quarter was going to be difficult, causing another precipitous slide in the price.

After the second quarter reporting season is over, prospects for the market may improve. Mexico's inflation rate has finally reached single digits, while the trade balance has stopped growing. The government, therefore, has been able to allow interest rates on short-term government paper to fall to a year's low of 14.1 per cent without provoking capital outflows.



Source: Datastream

FT-SE Actuaries Share Indices

July 9	July 8	July 7	July 6	July 5	July 4
FT-SE Actuaries 100	122.63	122.55	122.56	122.57	122.58
FT-SE Actuaries 200	122.63	122.55	122.56	122.57	122.58
FT-SE Actuaries 300	122.63	122.55	122.56	122.57	122.58
FT-SE Actuaries 400	122.63	122.55	122.56	122.57	122.58
FT-SE Actuaries 500	122.63	122.55	122.56	122.57	122.58
FT-SE Actuaries 600	122.63	122.55	122.56	122.57	122.58
FT-SE Actuaries 700	122.63	122.55	122.56	122.57	122.58
FT-SE Actuaries 800	122.63	122.55	122.56	122.57	122.58
FT-SE Actuaries 900	122.63	122.55	122.56	122.57	122.58
FT-SE Actuaries 1000	122.63	122.55	122.56	122.57	122.58

Base value 1000 (200/1000) High/Low: 100 - 122.55, 200 - 122.56, 300 - 122.57, 400 - 122.58, 500 - 122.59, 600 - 122.60, 700 - 122.61, 800 - 122.62, 900 - 122.63, 1000 - 122.64

which showed its share of the European market improving.

Euro Disney eased a further 6.5 per cent following Thursday's dismal forecasts, falling Ffr3.90 to Ffr55.60.

AMSTERDAM moved modestly higher, the CBS Tendency index finishing 0.7 up at 115.7, a week's rise of 3.7 per cent.

Kleinwort Benson's Dutch team, writing in their latest research paper, continued to recommend a "primarily defensive portfolio" over the summer.

"Last year's relative appreciation of the Dutch guilder," they observed, "will have a dampening impact on the recovery potential of corporate earnings."

Cyclical stocks remained prominent after Thursday's strong gains, with DSM up Ffr1.20 to Ffr15.40 and Alzo rising Ffr1.20 to Ffr15.40.

The publishing sector also featured, with Elsevier up 60

but still 4 per cent higher on the week. The SMI index finished at 2,402.7 with gains of 4.5 and 1.4 per cent respectively.

BRUSSELS, one of last week's strong points, accelerated again after a period of digestion, the Bel 20 index rising by 16.35, most of the week's 1.5 per cent gain, to 1,301.66.

VIENNA continued to follow Frankfurt, taking its rise on the week to 3.4 per cent with the ATX index up 9.37 higher at 868.39.

STOCKHOLM continued in ebullient form on foreign buying, the Affarsvarlden index gaining 8.60 to 1,115.20, a week's gain of 2.4 per cent.

ISTANBUL lost another 4.8 per cent as many investors took note of a government statement confirming that the budget deficit for 1993 is likely to be three times worse than previous forecasts. The composite index lost 51.9 to 10,275.3, a week's decline of nearly 1.5 per cent.

SOUTH AFRICA

JOHANNESBURG gold shares recovered early losses as the gold price found support at \$388 and moved back above \$390. The gold index ended at 1,972, up 1 after an intraday low of 1,903. Industrials slid 32 to 4,659 while the overall index dropped 28 to 4,117.

LONDON SHARE SERVICE

BRITISH FUNDS										BRITISH FUNDS - Cont.										BRITISH FUNDS - Cont.									
Notes	Price	Yield	Div	Div	Div	Div	Div	Div	Div	Notes	Price	Yield	Div	Div	Div	Div	Div	Div	Div	Notes	Price	Yield	Div	Div	Div	Div	Div	Div	Div
"Shorts" (Close up to Five Years)																													
Prudential (1983-84)	1021	100	100	100	100	100	100	100	100	Prudential (1983-84)	1021	100	100	100	100	100	100	100	100	Prudential (1983-84)	1021	100	100	100	100	100	100	100	100
Prudential (1984-85)	1021	100	100	100	100	100	100	100	100	Prudential (1984-85)	1021	100	100	100	100	100	100	100	100	Prudential (1984-85)	1021	100	100	100	100	100	100	100	100
Prudential (1985-86)	1021	100	100	100	100	100	100	100	100	Prudential (1985-86)	1021	100	100	100	100	100	100	100	100	Prudential (1985-86)	1021	100	100	100	100	100	100	100	100
Prudential (1986-87)	1021	100	100	100	100	100	100	100	100	Prudential (1986-87)	1021	100	100	100	100	100	100	100	100	Prudential (1986-87)	1021	100	100	100	100	100	100	100	100
Prudential (1987-88)	1021	100	100	100	100	100	100	100	100	Prudential (1987-88)	1021	100	100	100	100	100	100	100	100	Prudential (1987-88)	1021	100	100	100	100	100	100	100	100
Prudential (1988-89)	1021	100	100	100	100	100	100	100	100	Prudential (1988-89)	1021	100	100	100	100	100	100	100	100	Prudential (1988-89)	1021	100	100	100	100	100	100	100	100
Prudential (1989-90)	1021	100	100	100	100	100	100	100	100	Prudential (1989-90)	1021	100	100	100	100	100	100	100	100	Prudential (1989-90)	1021	100	100	100	100	100	100	100	100
Prudential (1990-91)	1021	100	100	100	100	100	100	100	100	Prudential (1990-91)	1021	100	100	100	100	100	100	100	100	Prudential (1990-91)	1021	100	100	100	100	100	100	100	100
Prudential (1991-92)	1021	100	100	100	100	100	100	100	100	Prudential (1991-92)	1021	100	100	100	100	100	100	100	100	Prudential (1991-92)	1021	100	100	100	100	100	100	100	100
Prudential (1992-93)	1021	100	100	100	100	100	100	100	100	Prudential (1992-93)	1021	100	100	100	100	100	100	100	100	Prudential (1992-93)	1021	100	100	100	100	100	100	100	100
Prudential (1993-94)	1021	100	100	100	100	100	100	100	100	Prudential (1993-94)	1021	100	100	100	100	100	100	100	100	Prudential (1993-94)	1021	100	100	100	100	100	100	100	100
Prudential (1994-95)	1021	100	100	100	100	100	100	100	100	Prudential (1994-95)	1021	100	100	100	100	100	100	100	100	Prudential (1994-95)	1021	100	100	100	100	100	100	100	100
Prudential (1995-96)	1021	100	100	100	100	100	100	100	100	Prudential (1995-96)	1021	100	100	100	100	100	100	100	100	Prudential (1995-96)	1021	100	100	100	100	100	100	100	100
Prudential (1996-97)	1021	100	100	100	100	100	100	100	100	Prudential (1996-97)	1021	100	100	100	100	100	100	100	100	Prudential (1996-97)	1021	100	100	100	100	100	100	100	100
Prudential (1997-98)	1021	100	100	100	100	100	100	100	100	Prudential (1997-98)	1021	100	100	100	100	100	100	100	100	Prudential (1997-98)	1021	100	100	100	100	100	100	100	100
Prudential (1998-99)	1021	100	100	100	100	100	100	100	100	Prudential (1998-99)	1021	100	100	100	100	100	100	100	100	Prudential (1998-99)	1021	100	100	100	100	100	100	100	100
Prudential (1999-00)	1021	100	100	100	100	100	100	100	100	Prudential (1999-00)	1021	100	100	100	100	100	100	100	100	Prudential (1999-00)	1021	100	100	100	100	100	100	100	100
Prudential (2000-01)	1021	100	100	100	100	100	100	100	100	Prudential (2000-01)	1021	100	100	100	100	100	100	100	100	Prudential (2000-01)	1021	100	100	100	100	100	100	100	100
Prudential (2001-02)	1021	100	100	100	100	100	100	100	100	Prudential (2001-02)	1021	100	100	100	100	100	100	100	100	Prudential (2001-02)	1021	100	100	100	100	100	100	100	100
Prudential (2002-03)	1021	100	100	100	100	100	100	100	100	Prudential (2002-03)	1021	100	100	100	100	100	100	100	100	Prudential (2002-03)	1021	100	100	100	100	100	100	100	100
Prudential (2003-04)	1021	100	100	100	100	100	100	100	100	Prudential (2003-04)	1021	100	100	100	100	100	100	100	100	Prudential (2003-04)	1021	100	100	100	100	100	100	100	100
Prudential (2004-05)	1021	100	100	100	100	100	100	100	100	Prudential (2004-05)	1021	100	100	100	100	100	100	100	100	Prudential (2004-05)	1021	100	100	100	100	100	100	100	100
Prudential (2005-06)	1021	100	100	100	100	100	100	100	100	Prudential (2005-06)	1021	100	100	100	100	100	100	100	100	Prudential (2005-06)	1021	100	100	100	100	100	100	100	100
Prudential (2006-07)	1021	100	100	100	100	100	100	100	100	Prudential (2006-07)	1021	100	100	100	100	100	100	100	100	Prudential (2006-07)	1021	100	100	100	100	100	100	100	100
Prudential (2007-08)	1021	100	100	100	100	100	100	100	100	Prudential (2007-08)	1021	100	100	100	100	100	100	100	100	Prudential (2007-08)	1021	100	100	100	100	100	100	100	100
Prudential (2008-09)	1021	100	100	100	100	100	100	100	100	Prudential (2008-09)	1021	100	100	100	100	100	100	100	100	Prudential (2008-09)	1021	100	100	100	100	100	100	100	100
Prudential (2009-10)	1021	100	100	100	100	100	100	100	100	Prudential (2009-10)	1021	100	100	100	100	100	100	100	100	Prudential (2009-10)	1021	100	100	100	100	100	100	100	100
Prudential (2010-11)	1021	100	100	100	100	100	100	100	100	Prudential (2010-11)	1021	100	100	100	100	100	100	100	100	Prudential (2010-11)	1021	100	100	100	100	100	100	100	100
Prudential (2011-12)	1021	100	100	100	100	100	100	100	100	Prudential (2011-12)	1021	100	100	100	100	100	100	100	100	Prudential (2011-12)	1021	100	100	100	100	100	100	100	100
Prudential (2012-13)	1021	100	100	100	100	100	100	100	100	Prudential (2012-13)	1021	100	100	100	100	100	100	100	100	Prudential (2012-13)	1021	100	100	100	100	100	100	100	100
Prudential (2013-14)	1021	100	100	100	100	100	100	100	100	Prudential (2013-14)	1021	100	100	100	100	100	100	100	100	Prudential (2013-14)	1021	100	100	100	100	100	100	100	100
Prudential (2014-15)	1021	100	100	100	100	100	100	100	100	Prudential (2014-15)	1021	100	100	100	100	100	100	100	100	Prudential (2014-15)	1021	100	100	100	100	100	100	100	100
Prudential (2015-16)	1021	100	100	100	100	100	100	100	100	Prudential (2015-16)	1021	100	100	100	100	100	100	100	100	Prudential (2015-16)	1021	100	100	100	100	100	100	100	100
Prudential (2016-17)	1021	100	100	100	100	100	100	100	100	Prudential (2016-17)	1021	100	100	100	100	100	100	100	100	Prudential (2016-17)	1021	100	100	100	100	100	100	100	100
Prudential (2017-18)	1021	100	100	100	100	100	100	100	100	Prudential (2017-18)	1021	100	100	100	100	100	100	100	100	Prudential (2017-18)	1021	100	100	100	100	100	100	100	100
Prudential (2018-19)	1021	100	100	100	100	100	100	100	100	Prudential (2018-19)	1021	100	100	100	100	100	100	100	100	Prudential (2018-19)	1021	100	100	100	100	100	100	100	100
Prudential (2019-20)	1021	100	100	100	100	100	100	100	100	Prudential (2019-20)	1021	100	100	100	100	100	100	100	100	Prudential (2019-20)	1021	100	100	100	100	100	100	100	100
Prudential (2020-21)	1021	100	100	100	100	100	100	100	100	Prudential (2020-21)	1021	100	100	100	100	100	100	100	100	Prudential (2020-21)	1021	100	100	100	100	100	100	100	100
Prudential (2021-22)	1021	100	100	100	100	100	100	100	100	Prudential (2021-22)	1021	100	100	100	100	100	100	100	100	Prudential (2021-22)	1021	100	100	100	100	100	100	100	100
Prudential (2022-23)	1021	100	100	100	100	100	100	100	100	Prudential (2022-23)	1021	100	100	100	100	100	100	100	100	Prudential (2022-23)	1021	100	100	100	100	100	100	100	100
Prudential (2023-24)	1021	100	100	100	100	100	100	100	100	Prudential (2023-24)	1021	100	100	100	100	100	100	100	100	Prudential (2023-24)	1021	100	100	100	100	100	100	100	100
Prudential (2024-25)	1021	100	100	100	100	100	100	100	100	Prudential (2024-25)	1021	100	100	100	100	100	100	100	100	Prudential (2024-25)	1021	100	100	100	100	100	100	100	100
Prudential (2025-26)	1021	100	100	100	100	100	100	100	100	Prudential (2025-26)	1021	100	100	100	100	100	100	100	100	Prudential (2025-26)	1021	100	100	100	100	100	100	100	100
Prudential (2026-27)	1021	100	100	100	100	100	100	100	100	Prudential (2026-27)	1021	100	100	100	100	100	100	100	100	Prudential (2026-27)	1021	100	100	100	100	100	100	100	100
Prudential (2027-28)	1021	100	100	100	100	100	100	100	100	Prudential (2027-28)	1021	100	100	100	100	100	100	100	100	Prudential (2027-28)									

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

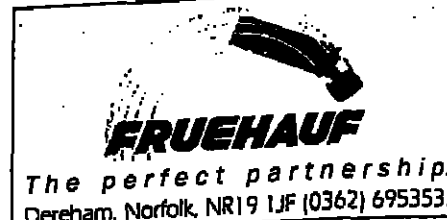
INVESTMENT TRUSTS - Cont.

Trust Name	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995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FINANCIAL TIMES

Weekend July 10/July 11 1993



Littlechild intends to maintain squeeze on charges

Electricity regulator sets energy-saving incentives

By David Lascelles, Resources Editor

INCENTIVES for greater energy saving by electricity users were included for the first time in a new set of electricity price controls yesterday.

Professor Stephen Littlechild, the industry regulator, is proposing that electricity distributors spend £1 on energy efficiency per customer each year - or £100m over the four years that the controls will last.

He also removed incentives which enable electricity companies to make profits just by selling more electricity rather than by being more efficient.

The package of measures unveiled by Prof. Littlechild is part one of a two-year review of prices in the privatised regional electricity companies (RECs). Although this stage affects only the supply business, which accounts for 10 per cent of REC operating profits, it indicates that Prof. Littlechild intends to

tighten steadily the squeeze on electricity prices.

He has set a basic limit of £10m on the costs RECs can pass on to their customers, plus an allowance for the number of customers and units of electricity sold. He is also restricting price rises to the rate of inflation minus two percentage points a year.

However, he will grant an extra allowance for RECs which have exceptional costs because of factors such as high customer turnover or bad debts.

The company receiving the largest allowance is London Electricity with £8m. It was not clear whether the company saw this as enough. A spokesman said there would be no comment until the board had reviewed the proposals. Any REC can appeal to the Monopolies and Mergers Commission against the regulator's actions.

Other RECs said the package looked tough but manageable. Mr John Harris, chairman of East Midlands Electricity, said: "It is

challenging. But we're very supportive of his approach because he will be rewarding efficiency."

Householders will not notice any immediate change from the new controls, which do not take effect for a year, and the impact of the next stage of the review, of electricity distribution prices, will be much bigger.

But Prof. Littlechild said yesterday's measures would produce a small cut in prices, and oblige RECs to be more cost-conscious. He also confirmed his intention to remove all price controls for customers using more than 100KW a year, starting next April, as part of a move towards total deregulation by 1998.

On the stock market there was relief that the controls were less tough on the RECs than feared. But there was disappointment in the energy efficiency industry at the size of the savings.

See Lex
London Shares, Page 15
Bottom Line, Weekend II

Serbian president releases opposition leader

By Laura Silber in Belgrade

SERBIAN President Slobodan Milosevic ordered the release of jailed opposition leader Mr Vuk Draskovic and his wife Mrs Danica Draskovic yesterday, Serbian state-run television reported.

Mr Milosevic said, in his statement announcing a pardon, that "the events accompanying the legal proceedings against Vuk Draskovic are creating a very ugly picture".

Mr Milosevic said Mr Draskovic was being freed because of "the media campaign in countries which have introduced a blockade against our state and the Serbian people because of its battle for equality".

The pardon follows intervention by Western leaders, and came only a few hours after the German government and US President Bill Clinton pressed for the release of the couple. Mrs Danica Draskovic, wife of the French President, visited Belgrade earlier this week in an attempt to secure their release.

Mr Draskovic, head of the Serbian Renewal Party, the country's largest opposition group, and his wife, were arrested on June 1 after anti-government demonstrations in Belgrade. One policeman was killed and 28 people were injured in the protests.

Police beat the Draskovics severely in custody. They were later hospitalised, under heavy police guard.

Mr Draskovic went on hunger strike on July 1 in protest against his detention.

Doctors treating Mr Draskovic in the main Belgrade hospital appealed to the district court on Thursday, warning that he could die in "a matter of hours".

Despite the appeal, the court earlier yesterday refused to release Mr Draskovic.

Groups of people gathered in Belgrade's central square last night after news of Mr Milosevic's statement. Opposition parties had earlier called demonstrations for today in support of Mr Draskovic's release.

In Sarajevo, the first cases of typhus were reported yesterday as the United Nations High Commissioner for Refugees warned that the city was on the "brink of disaster".

Bosnia radio reported an outbreak of seven cases of typhus and 700 cases of dysentery in the capital.

Mrs Sadako Ogata said fighting blockades of convoys and lack of funding had crippled the UN agency whose aid operations throughout Bosnia-Herzegovina had reached a virtual standstill.

Sarajevo remained without water and electricity as relief workers warned of the spread of epidemics.

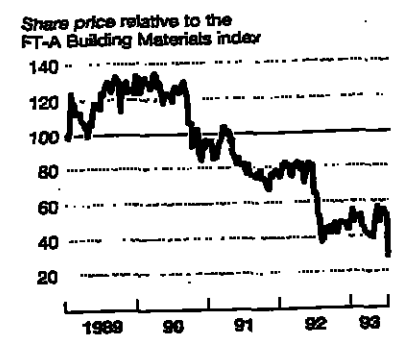
UN officials said the entire health system had broken down without supplies of diesel to power generators.

THE LEX COLUMN

Germany out in front

FT-SE Index: 2843.2 (-2.7)

Evered Bardon



likely to find more favour than those which are dragging their feet. More of the market has been opened to competition, and in this area Offer has decided to eliminate price controls immediately. This shows confidence that competition will develop and will give valuable experience of how new competitive markets behave ahead of the deregulation of the domestic market in 1998.

The regulator is also developing a yardstick to monitor REC costs which, while not yet a formal benchmark, may become so if price regulation is still needed after the market is fully opened up. However, while life will be tougher for the RECs as competition increases and regulation tightens, their financial position means that they will still be able to generate strong dividend increases for the foreseeable future.

UK electricity

Kremlinologists will doubtless comb through Professor Stephen Littlechild's report into the electricity supply business. While supply to customers accounts for only 6 per cent of the cost of electricity to domestic customers, the regulator's attitude to the more significant electricity distribution business might shine between the lines of the report. At first sight, the supply review suggests an easy ride for the regional electricity companies. Not only was the RPI-X price cap tightened less than expected, but the RECs have been granted a 20 per cent increase in their allowable costs.

Yet there were hints that next year's distribution review would be tougher. Companies such as Eastern, which have got on with cost cutting, are

Evered Bardon

Evered Bardon had little choice but to raise fresh equity. Its debt was a burden even before sterling's devaluation inflated the cost of servicing dollar-denominated loans. Disposals were the obvious answer, but for the fact that its most saleable asset - the Civil & Marine dredging business - was valued in the accounts £80m above current market value. For a company uncomfortably close to breaching its banking covenants, that write-down would have been too much to bear.

Even after yesterday's £72m rights issue and assuming C&M is now sold, Evered Bardon will be perhaps 45 per cent geared. Since it expects to leak cash again this year and be at best cash neutral next, debt might yet nose

higher again. Having relaxed its covenants, there is little immediate danger from the banks. But neither has management an entirely free hand. That might not matter if it could promise a speedy profits recovery from the existing businesses. While the prospects in the US are encouraging, there is scope for disappointment in the UK - especially if the government's road building programme falls victim to the November Budget.

On that basis, the rights issue looks more like a running repair rather than a thorough overhaul of the balance sheet. Evered Bardon's assets might be worth more to an owner with the financial muscle to solve its problems once and for all.

Champagne

Rémy Cointreau's results this week were enough to make even the best champagne go flat. Its margins on the bubbly drink fell to just 7 per cent from 15 per cent and, due to the continuing pressure of high grape prices, there is unlikely to be much relief this year. Rémy, of course, is not alone. Margins at LVMH, in which Guinness has a 24 per cent stake, fell 9 points to 15 per cent last year and are still headed down. The producers say the problem is basically cyclical. Margins should eventually recover as grape prices come down, surplus stocks are sold and economic recovery encourages consumers to trade up.

Such optimism is based on past experience of the notoriously cyclical industry, but it may not be so easy to put the fizz back in the bottle this time round. Whereas spirits producers can raise margins by exploiting new markets in the developing world, champagne is traditionally a first world drink. Sluggish growth and low inflation in industrial countries may cause consumers to remain more careful about what they spend.

Nor, despite their dastardly onslaught on elderflower cordial, have champagne producers done much to protect their brand. Price cutting and the launch of out-price petits champagnes do not enhance its image. Producers may assume this can be corrected as the surplus disappears. Given the growing market for high quality méthode traditionnelle sparkling wines, though, they risk creating a permanent reduction in the base from which premium brands are priced. The cachet of champagne could then wait away like the once-expensive smoke of a Marlboro cigarette.

Ukraine threat to keep N-arms as Russian parliament claims port

By John Lloyd in Moscow and Christy Freeland in Kiev

THE RUSSIAN parliament claimed control yesterday of the naval port of Sevastopol, the main base of the disputed Black Sea Fleet, opening the vexed question of control of the Ukrainian region of Crimea.

Ukrainian officials in Kiev denounced the move as "tantamount to a declaration of war" and said the Russian claim would make the Ukrainian parliament more likely to assert full control over the nuclear missiles stationed on Ukrainian territory.

A resolution "confirming the Russian federal status of Sevastopol" was passed by 166 votes to 1. It also decreed that the Russian government negotiate on the use of Sevastopol as a base for a "unified" Black Sea fleet.

This would be a direct contradiction of the agreement between the presidents of Russia and Ukraine to divide the fleet 50-50,

a move which has angered many Russian officers and drawn protests even from General Pavel Grachev, the Defence Minister.

A further clause was added before the vote which demanded that the Ukrainian government, "in order to avoid an increase in tension", withdraw its "special units located in the area" - that is from its own territory.

The decree gave no details of how demands for Russian possession of Sevastopol was to be carried through - and the Russian government, as well as Mr Boris Yeltsin, the Russian president, is likely to ignore the decision.

Mr Dmytro Pavlychko, chairman of the parliamentary commission on foreign affairs, warned that the stand-off over Crimea could easily escalate into "a situation like that in Abkhazia or the former Yugoslavia".

He said the Ukrainian parliament could react to the Russian move by asserting operational control over the nuclear weap-

ons. Last week, parliament claimed ownership of the weapons, but Ukrainian leaders insisted they had no plans to develop positive control over the weapons on their territory.

"The nuclear problem cannot be resolved now," said Mr Pavlychko, one of the main policy makers on nuclear issues. "How can we give up our weapons to a neighbour which is making territorial claims on us?"

"Maybe now we must say we will seek operational control over the missiles on our territory."

American experts believe Ukraine has the know-how to assert control over the weapons, although they fear Russia could react to Ukrainian efforts to take control over the missiles with a pre-emptive military strike.

Mr Pavlychko said that the situation could still be defused if Mr Yeltsin distanced himself from parliament's declaration.

Bank chief gloomy, Page 3

Tiphook

Continued from Page 1

So far this year, TSB, Fidelity and Garmore have each reduced their shareholdings to below 3 per cent.

These shareholders have been replaced largely by US investors, who now hold at least 18.7 per cent in the form of American Depository Receipts.

Before news of the accounting change, analysts had been expecting Tiphook's pre-tax profits to be down from £86m to about £75m.

G7 seeks end to trade talks

Continued from Page 1

"has not yet seen any piece of paper". Mr Gergen said it was "within the realms of possibility" that there would be an announcement before Mr Clinton leaves for Seoul, but it was equally possible that nothing would be forthcoming.

The president, he said, would have to approve what could be a complicated document and was also due to attend bilateral talks with Russian President Boris Yeltsin this morning.

US officials have been careful not to raise expectations that such an important deal could be reached in Tokyo with a Japanese government facing elections next week. The US has felt that it is better to sign a solid agreement than a hasty one.

Japanese officials said the talks on a proposed trade framework had narrowed the differences between the two governments but had not eliminated them.

Even late yesterday afternoon Mr Miyazawa was sending his negotiators revised instructions.

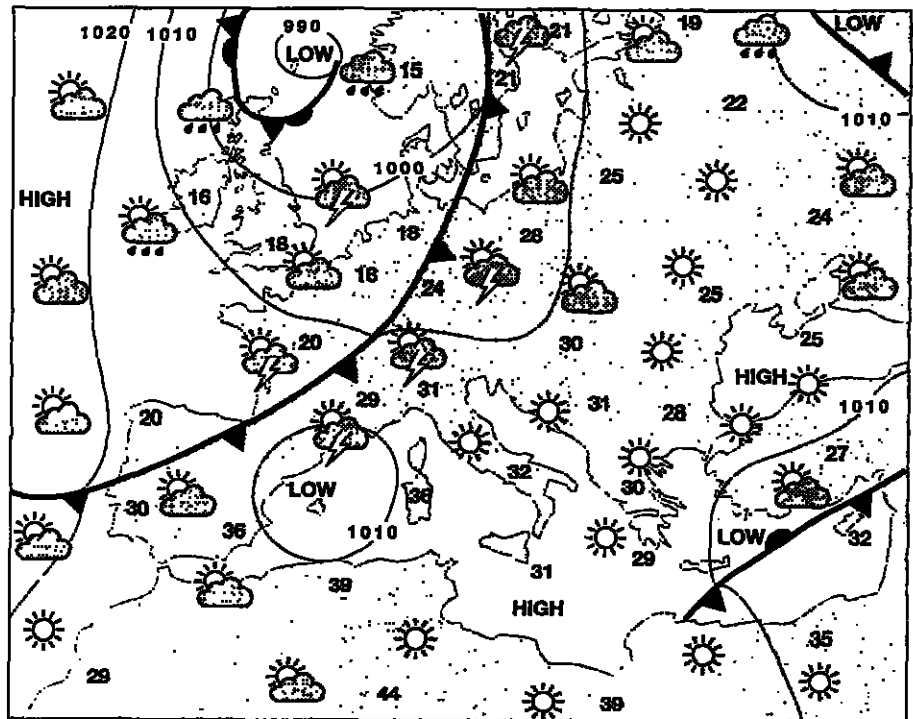
FT WORLD WEATHER

Europe today

A front moving across Germany and France will divide sunny warm conditions in the south-east from unseasonably cool weather in the north-west. Along and ahead of the front, there will be bands of rain and thunder showers. The heaviest thunder storms are expected in the northern and western Alps. One or two heavy showers will also occur in central and northern Sweden. The same front will produce cloud over Spain but there will be no showers. In Portugal, low pressure is drawing very warm air north from Africa. Unseasonably hot conditions will also develop across much of the western Mediterranean including Sardinia and Sicily.

Five-day forecast

By Tuesday, the low pressure system over the North Sea will have moved to the Norwegian Sea. Numerous thunder storms will break out over Poland and western Russia. Most thunder storms tomorrow will be confined to the Czech Republic, Austria, and western Poland. Rain will arrive early in the week across Ireland and England. By Tuesday and Wednesday, the rain will reach northern France and the Low Countries. Southern Europe will be mostly sunny and hot, especially in the south-east.



TODAY'S TEMPERATURES

Abu Dhabi	sun	32	Chicago	thund	33	Faro	sun	26	Majorca	fair	35	Rangoon	thund	32
Accra	thund	29	Cologne	fair	20	Frankfurt	thund	24	Malta	sun	31	Riyadh	sun	42
Algiers	sun	30	Copenhagen	show	28	Geneva	thund	24	Manchester	cloudy	32	Rome	sun	30
Amsterdam	show	18	Dakar	fair	30	Hamburg	show	19	Melbourne	sun	15	S' Francisco	sun	22
Atlanta	sun	30	Dallas	sun	35	Helsinki	thund	21	Medoo City	hazy	21	Seoul	show	27
Bangkok	cloudy	34	Darwin	fair	30	Hong Kong	thund	32	Miami	fair	31	Singapore	thund	28
Barcelona	sun	30	Dubai	thund	38	Honolulu	sun	31	Millan	fair	31	Stockholm	rain	21
Beijing	cloudy	29	Dubai	thund	38	Ile of Man	show	15	Montreal	cloudy	29	Strasbourg	thund	23
Belfast	rain	16	Dubrovnik	sun	31	Isle of Man	show	15	Moscow	thund	25	Sydney	sun	18
Belgrade	rain	12	Edinburgh	rain	16	Jersey	show	17	Munich	thund	25	Taipei	fair	31
						Karachi	fair	30	Nairobi	sun	24	Tokyo	fair	26
						Kuwait	sun	44	Naples	sun	32	Toronto	fair	23
						La Paz	cloudy	17	Niassa	sun	32	Tunis	sun	37
						Las Palmas	sun	25	New York	sun	36	Vancouver	fair	21
						Lisbon	show	21	Nice	sun	28	Venice	sun	29
						London	show	18	Oslo	show	17	Warsaw	show	29
						Los Angeles	hazy	28	Paris	fair	20	Washington	sun	37
						Luxembourg	thund	24	Perth	fair	17	Wellington	cloudy	13
						Lyon	thund	24	Prague	show	26	Whangpoo	show	18
						Madrid	fair	32	R de Janeiro	sun	28	Zurich	thund	23

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Weekend FT

SECTION II

Weekend July 10/July 11 1993

Riding the rails past the ruins of Russia

First it was the nobility, then the party bosses. Today, western tourists are the *privilegentsia*, reports Christian Tyler

ENSCONCED in their berths of polished mahogany and brass, lounging in the bar or snuffling up delicacies in one of three decorated dining cars, the new *privilegentsia* stared out at the bleak Russian landscape. Towns and villages presented the same derelict face: cracked apartment blocks and crumbling factories, roads rutted and strewn with abandoned concrete piles and coils of rusty wire. Only the painted wooden cottages inside their picket fences revealed these places to be habitations of human beings.

At each halt, through windows locked shut for security, the travellers met the gazes of the disinherited proletariat on the platform outside. Children waved, the adults merely stared. Their stares conveyed nothing, neither amusement, wonder nor resentment.

Once, it was the languid aristocracy who travelled like this, commuting between their palaces in St Petersburg or Moscow and their country estates. Then came the bourgeoisie, the peasant-workers of the politburo, preaching sacrifice in public but pampering themselves in private. Now, it is the turn of the foreign capitalist plutocracy, bearing bundles of the only commodity of value in Russia today: US dollars.

The Bolshoi Express is half a mile of luxurious rolling stock built during the 1950s to trundle senior apparatchiks round the Soviet empire for their urgent meeting-and-drinking engagements. Krushchev probably slept here. The train has been assembled as a private joint venture by astute freelancing servants of the Russian railway and a British tour operator.

Its itinerary could be described in various ways: as a romantic ride through history, from St Petersburg on the Baltic to Tashkent in central Asia, from one end of the tsars' empire to the other; or as an expen-

sive way to smuggle free-spending westerners safely through a collapsing country.

On the second night in St Petersburg, passengers on the inaugural run were bussed (no walking after dark) to the Shuvalov palace on Nevsky Prospekt for a reception and banquet under chandeliers. Champanski, wine and vodka flowed and a plump coloratura from the Kirov sang Tchaikovsky love songs. But for the guests' couture clothes and county accents, it might have been a routine communist bacchanal.

Later, at the five-star Hotel Astoria, reality intruded. Two men - one young, one old, both drunk - lurched in off the street and made for the bar. "I say, you're drunk," observed an Englishman, who was pretty drunk himself. The young man replied by opening his jacket, pulling a gun from his waist-band and pointing it at his interlocutor's midriff. "What's that for? Put it away," expostulated the Englishman. The old man intervened, motioning to the other to comply. "Is for my son protection," he explained, thickly. "He is security man. Afghan veteran."

Russia is an "emerging destination" according to the suave Old Etionian responsible for piloting this first cargo safely through the criminal shoals. *Moscow Life*, an English-language sheet, was more explicit. "It's heartening to report that fewer crimes have been committed against foreign nationals in Moscow," it said. "All sizeable criminal syndicates are pre-occupied with sorting out relations between themselves." It went on to itemise the haul of weapons in recent traffic checks in the city: "Over 40 sub-machine guns, three grenade launchers and 17 hand grenades, over 2,000 rounds of ammunition and 11 home-made bombs."

Bussed hither and thither to museums, palaces and churches,



dropped briefly at photographic vantage points chosen for them by their guide, the passengers of the Bolshoi Express were shielded from the worst. Unless they struck out on their own, they were unlikely to encounter anything more alarming than a few begging urchins and gipsies.

Yes, Russia is an emerging destination. Recently, a South African paper manufacturer took 400 prospective clients on a wine and dining weekend to St Petersburg, a city with a freeze-dried, classical face now rotting away like an old crone's behind her face powder. Among the principal attractions of this tour were two dozen security guards supplied by Group 4, a British company which, some months ago, won a contract to escort prisoners in the UK - and promptly lost several.

A complete reversal of values has taken place. Visitors to the Soviet Union in the bad old days were, of course, permitted to see the Hermit-

age museum in Leningrad and the Kremlin churches in Moscow. But their tourist guides discouraged too heartfelt an admiration of the past. ("What is that church over there?" "Is not church. Is museum of atheism.")

Instead, they were invited to applaud health institutes, nursery schools, war memorials and palaces of culture. Privileged visitors were taken to locomotive works, power stations and socialist farms - where they were smothered in statistics before being sat down to a gargantuan banquet. "To peace!" the party cadres would cry, their eyes moist with sentiment and vodka. "To peace and brotherhood!" But movement was restricted severely and there were no plugs in the hotel basins.

Today, there are mixer taps and bathtubs in the foreigners' hotels and the tourist guides have gone freelance. There is no more talk of housing starts and irrigation schemes, only of tsars. Teenagers are free to skateboard in front of the Winter Palace, the frozen baby

mammoth is on a fund-raising tour of the US, and the tourist is free to travel where he will - or dares.

The band played as the party embarked on the train. A girl with a pale, Mongol face looked out from the adjacent train and turned quickly away. The champagne was broken out, the steam locomotive admired, the whistle blew and everyone went to dress for dinner. "In the evening," the dress code said, "gentlemen are requested to wear jackets and ties for dinner, although black tie is not necessary."

There were fresh flowers in each sleeping compartment and a *Daily Telegraph* map of the former Soviet Union; in the carpeted lavatories, copies of *The Spectator*, *Vanity Fair* and *Hello!* magazine. Dinner was announced and the party assembled, as elegant and out-of-place as Agatha Christie's characters in *Death on the Nile*.

The girlish blue eyes of the Historical Novelist had been left undimmed by the sight of sweating heaps of humanity at the railway station. The Tax Exile appeared,

nattily-dressed as ever, and coolly oblivious of the poverty he had seen. Their friend, the Belgravia Doctor, drank the night away with nary a glance at the world outside the window.

The solitary figure reputed to be The Man From *The Times* clung close to his fellows: knowledgeable about the past, he seemed strangely bewildered by the present. The Rugby Player - apparently some sort of businessman - grunted laconically. The Prawn King from Tyneside retained his Geordie humour throughout - until he was mugged by gipsy children on his way home through Moscow.

The Ballerina added a final touch of other-worldliness. Natalia Maka-

rova, former prima ballerina of the Kirov, had been invited to join the train along with her Lebanese-American businessman husband and their 15-year-old son, Andrusha. She was followed at every step by a BBC cameraman, a producer-director and a girl with a clipboard, while she packed and unpacked, ate and drank, and talked about how it felt to revisit the country from which she absconded in 1970. The fare-paying passengers thus found themselves unwilling extras in a three-dimensional travelogue: looking at themselves being filmed looking at Makarova while she looked at Russia.

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The Long View / Barry Riley

Pensions? That's rich!



COULD THE government possibly be against motherhood, apple pie and pensions? Well, pensions, anyway? When former chancellor Norman Lamont reduced the tax credit on UK company dividends from 25 to 20 per cent in his March Budget, the pensions industry was torn between pretending nothing had really happened and pressing the panic button.

A deafening silence followed while the Society of Pension Consultants calculated that the change would cost occupational pension funds some £500m in lost income, with holders of personal pension plans losing another £100m.

Measured against the scale of total assets of the order of £500bn and annual investment income of about £20bn, these are perhaps insignificant sums in themselves. But the Treasury has begun to attack the tax privileges of pension funds. Moreover, it has done it in a sneaky way, pretending that its main objective was to help companies rather than raise revenue.

Now, the pensions industry has decided that fire must be returned against the snipers. A body with the catchy title of the Occupational Pension Schemes Joint Working Group has protested that the tax structure for pension schemes must be preserved. More broadly, the National Association of Pension Funds has launched a campaign dubbed *Pensions: Securing the Future*, posing the threat of a "pensions underclass" as state pensions dwindle in size and the coverage of occupational schemes becomes more patchy.

There is certainly a case for clearer thinking on pensions. The government appears to have got into a muddle over its tax policies. On the one hand, it expended enormous efforts and large amounts of money in the 1980s in promoting personal pension plans (of which there are now 4.5m holders). But now it is eroding the tax relief which has made such pension plans attractive. Interestingly, Peter Lilley, the social

security secretary, added his own angle to the pensions debate this week through his statistical document *The Growth of Social Security*. His concern was to prevent the bill for social security outstripping the nation's ability to pay. For the time being, pensioners are less of a problem than other groups dependent on state support, such as single mothers. But as we move into the 21st century and the demographic balance changes, the elderly may become more of a burden.

The basic case for state involvement in pensions is that if people become destitute in old age, the state will have to sustain them, anyway, so it is wise to arrange a long-term financial structure through which the retired can be supported. This can be done either through pay-as-you-go systems, in which contributions are recycled immediately to pensioners (which is how the state scheme works), or by the build-up of occupational or personal funds.

A subsidiary argument here is that savings should, in any case, be encouraged for various reasons. Yet, inland Revenue-approved pension schemes are, in many respects, poor ways of doing this because they lock people's savings away for decades in remote funds and institutions of sometimes dubious security; force them to take a certain type of income benefit; and destroy the option of passing personal wealth on to the next generation.

In any case, the anti-destitution motive has become confused by the exploits of the well-advised rich. Thus, we have the example of Sir Anthony Tennant, retiring chairman of Guinness, taking legitimate advantage of tax reliefs to collect a £500,000-plus annual pension. Should the government really be supporting this kind of benefit level through tax concessions?

In fact, several years ago the government imposed a "cap" on qualifying incomes; this year, it has been frozen at £75,000 rather than rising in line with inflation (Sir Anthony escaped this, as do all employees who joined their

schemes before 1989). This ceiling is surely too high; even so, it has attracted great fury from pensions professionals, which shows the extent to which pension regulations have become turned into a great middle-class tax break rather than a solution to the problem of poverty in old age.

The poor are always with us, but many retired people are now unusually prosperous. Occupational pension schemes have been heavily in surplus, and have been able to top-up pensions in line with inflation to a greater extent than ever before. Many old people also benefited from the extraordinary house price boom of the 1980s.

Between 1986 and 1991 inclusive, equity withdrawal (the extent to which new mortgage lending exceeded physical investment in housing) averaged about £14bn a year, according to the Joseph Rowntree Foundation's new *Housing Finance Review*. Retired people will have received much of this. But equity withdrawal collapsed to £3.5bn last year, and the housing miracle cannot be worked again in the foreseeable future.

If we are to have a debate on retirement provision, my initial position would be to say that we should preserve and improve basic state provision and encourage a funded second tier up to twice average incomes. Beyond that, people should be left to accumulate their own wealth. They could still be given access to tax-sheltered investments like personal equity plans.

This is not the kind of emphasis that the NAFF itself would make, given that it represents wealthy corporate schemes. Nor would it please the host of consultants who make most of their living by selling tax-saving schemes to executives in small private companies. But if the "cap" were brought lower down the income scale, it would still be possible for companies to offer various other employee benefits should they wish to do so. As for pensions, the arguments could be focused more accurately on the problems of the poor rather than, as too often happens now, on the needs of the rich.

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MARKETS

London

Grumpy or Happy? City looks for clues

By Maggie Urry

ALL HAS not been well in the square mile this week. The City of London has been transformed into a besieged city. Taxi drivers have become ever more grumpy as they attempt to dodge the bollards to enter the enchanted circle. Workers whistling their way to offices have found their roads blocked. It must be part of a complex plot by the administrators of Canary Wharf to persuade banks and brokers to relocate to docklands.

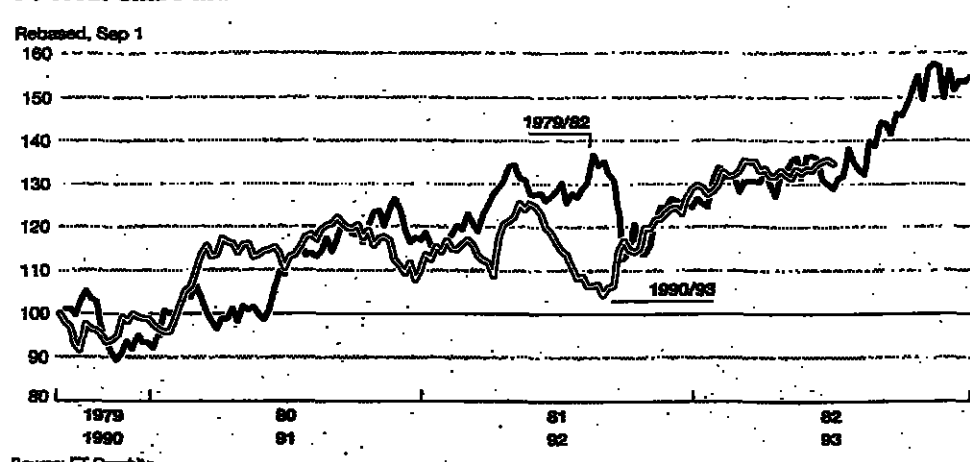
Perhaps it was the road blocks which caused turnover in the equity market to fall this week, and the Footsie index to move into "a consolidation phase", the strategists term for going sideways.

Or possibly the start of a new half year has allowed fund managers to enter a more sleepy phase, keeping their books - already dressed up for the end of June valuations - prepared for the BT3 sale, the forthcoming interim results season, and their holidays.

HIGHLIGHTS OF THE WEEK

	Price	Change	1993	1993	
	£/share	on week	High	Low	
FT-SE 100 Index	2843.2	-14.5	2957.3	2737.6	Economic slowdown fears
Anglian Water	495	+28	553	455	Waters strong on yield support
British Aerospace	405	+23	429	165	Refinancing of banking facility
British Airways	297½	-10½	313	249	Goldman Sachs downgrade
Central TV	2030	-48	2080	1615	Sentiment changes on TV stocks
Enterprise Oil	449	-24	521	397	Weak oil prices
Euro Disney	638	-132	1180	623	Profits warning
Lorha	133	+10	135	70	Firm metal prices/Capex uppt
Milands Electricity	508	+16	514	424½	Results "Rice" firm on offer report
Northern Foods	258	-19	290	242	Weak food manufacturers
Owners Abroad	72½	-29½	148	60	Profits warning
Sainsbury (J)	443	-24	584	442	James Capel downgrades sector
Tiphook	288	-40	382	173	Nervous trading ahead of figures
Westland	230	+40	230	121	Tribunal awards £386m damages
Whitbread A	477	-22	512	435	NatWest negative

FT-A All-Share Index



Source: FT Graphs

This will not deter the bulls. The chart, which the boffins at Nomura Research Institute dreamed up, shows how the FT-A All-Share index rose over the period from September 1979 to the end of 1992, and how the same index has been moving since September 1990. The two periods cover roughly the same parts of the recession and recovery cycle.

The two lines follow a remarkably similar pattern. If that continues, the market has further to rise. But it will take some good news to prompt that.

There has been a revival of hopes of lower base rates, partly as the word from Mount Fuji is that interest rates around the world need to fall further. At BZW the strategists have revised their forecast for base rates at the year end from 5% to 5 per cent, though they do not expect a cut until the

autumn. Its not much, but it helps.

Bulls are awaiting the results season, which kicks off towards the end of this month. For positive news of how companies have performed in the first two quarters of economic growth. If all goes well, earnings forecasts for 1993 should be underpinned or even raised as the season progresses.

Companies which do not match up to expectations will be severely punished, as some found out this week.

All has not been well in the Magic Kingdom. Euro Disney warned on Thursday that it would make a loss this summer, its second summer season since opening the EuroDisneyland theme park near Paris. Its shares slumped 145p to 638p in London between the announcement on Thursday and Friday's close.

The concern is that Euro Disney's problems are not just a sneaky, summer cold, but a bout of double pneumonia. Doc Walt Disney has been called in from the US to administer a financial injection.

Euro Disney has had to shelve plans to expand the theme park, and is looking at raising extra capital. All in all, those who wished on a star and invested in the great European leisure complex will have to wait a long time for their dreams to come true.

All has not been well, either, in the UK holiday industry. Owners Abroad, the tour operator which squeaked a win against a hostile £294m bid from Airtroups four months ago, has discovered that its current year profits will be about half the number the City was expecting.

A rapid downward revision

of forecasts to around £11m, and the departure of the chairman and the director in charge of tour operations, cut the shares from 98½p to 66p on Thursday, although they rallied on Friday to 72½p. The Takeover Panel was opening an investigation into some of the things Owners was saying at the time of the bid.

There has been some good news though. Greycoat, the property group, has found its fairy godmother in the unlikely shape of Alastair Ross Goobey, the chief executive of Postal, the largest pension fund in the UK. His fund has underwritten a £120m rescue package, which underlines the rising enthusiasm for commercial property.

Like Postal, the venture capital fund, has money it is keen to invest. It announced results this week showing pre-tax profits up 39 per cent to £58m in the year to March, despite some nasty provisions such as a £72m write-off against its stake in Isosceles, the Gateway food retail group.

It has been cashing in a number of earlier investments as management buy-outs float on the stockmarket. Now it has nearly £1bn to invest, but is lacking takers. That is another indication that economic recovery is proving slow.

If it cannot find sufficient homes for its money, Granada, the leisure group can. This week it took its stake in LWT, the London weekend television station, to 20 per cent and opened discussions to see how the two companies could help each other. Coming on top of other recent investments in the sector, the market in television shares has been turned on.

Serious Money

Optional extras that bear watching

By Philip Coggan, personal finance editor

FUTURES and options are creeping gradually into the main stream of personal finance. More and more funds are being launched which use the products - for example, bear funds, which allow investors to profit from a falling stock market.

It is tempting to shy away from all these products because they seem either too complicated or too speculative. But futures and options can also be used for insurance. If you own BT shares, for example, you can buy a put option giving you the right to sell at, say, 400p. If the BT share price falls to 300p, you exercise your put and sell the shares at 400p. You have "insured" against the risk of a sharp fall in the share price.

If you bought a put without owning BT shares at all, that would be speculation. You would be gambling that the BT price would fall substantially so that the option would increase sharply in value.

Of course, you have to pay for this right. The cost of an option, like an insurance policy, is called a premium. A call option to buy BT shares at 420p in August now carries a premium of around 19p.

The existence of premiums creates another use for options: a way to get extra income. This is the technique Hypo Foreign & Colonial used to offer a 10 per cent income to investors. Its fund sells options to earn premiums, which it then pays out to investors as income.

A new unit trust, from Shore Capital Stockbrokers and Providence Capital, uses similar strategies. Options will be sold against the trust's shares, with the aim of generating option income of 10-15 per cent a year. Rather than being paid out to investors, this will be accumulated as capital gain (although a withdrawal plan allows those who want income to take out 10 per cent of their original capital each year).

Naturally, the option income has its price. By selling the option, the trust has given outsiders the right to buy its shares. They will exercise those options if share prices rise substantially. Accordingly, the trust will underperform in a rising market.

If share prices generally were to fall, the trust's portfolio would decline. The premium income would cushion the trust from part of the fall, but investors would still lose money.

The trust would do best in a flat market, with shares barely moving. In such circumstances, it would receive its premium income but buyers would not exercise their

Managers, namely, a Japanese investment trust.

The Tokyo market certainly has bounced back from its 1992 lows, and those who bought into Japan last summer have done very well indeed. The problem is that the market there is very difficult to value.

Price-earnings ratios, the traditional measurement yardstick in the UK and the US, are much higher in Japan - the Tokyo market's present p/e is 58, according to Datastream. At 0.8 per cent, dividend yields are much lower than in the Anglo-Saxon markets.

For a long time, those who doubted the Japanese market's ability to sustain these stratospheric ratings were dismissed as naive by the cognoscenti. Sceptics were told that "traditional valuation methods don't apply in Japan." When the market fell from 38,000 to 14,000 over two years, the sceptics could afford to feel smug.

Given that the Japanese government has played its part in encouraging the recent stock market rebound, are we witnessing a "sucker's rally" which will prove to be short-lived?

Not according to Dumedin. It believes Japanese corporate earnings are due for a substantial recovery, that interest rates are at exceptionally low levels, and that international investors have underweight positions in Japanese equities at present, and will wish to increase their holdings.

Dumedin has a good record in Tokyo; its Japan Smaller Companies and Japan Growth unit trusts are, respectively, sixth and ninth in the sector over the three years to July 1.

For private investors, Japan definitely remains a high-risk market. But those who have decided already to opt for Tokyo might be tempted by Dumedin's offer: 35 per cent of the manager's annual fee will be donated to Barnardos for the first five years of the trust's life.

Cautious investors should wait to see if the concept works in practice

How should investors view all this? Common sense suggests that, if it is so easy to earn 10-15 per cent a year in option premiums, everybody would be doing it, especially if you can earn only 6 per cent from cash. Therefore, this is either a market anomaly (which might close) or investors are taking some risk in order to earn the extra reward.

One should note also the high charges on the fund, with the annual levy being 2 per cent on top of the 5.25 per cent initial charge. These will, inevitably, eat into investor returns. So, given the doubts, cautious investors should wait to see if this concept works in practice. After a year or so, it will be possible to assess the record rather than the theory.

□ □ □

A MORE conventional fund is on offer from Dumedin Fund

Wall Street

Skittish investors face season of uncertainty

SNOW IN the Rockies, floods in the mid-west and a record-breaking heat wave in the east - summer this year is straying far from its norm. Coming on the heels of an equally unpredictable winter, people just do not know what to expect next.

The stock markets have been behaving in a similarly capricious fashion. Since mid-June, share prices as measured by the Dow Jones Industrial Average have moved so erratically that they have confounded attempts to draw up a sensible analysis of market trends.

On midsummer's day, the Dow was at 3,510. In the two days following June 21, it dropped 44 points, but rallied more than 60 points over the following three days. It then embarked upon a five-day slide which took 80 points off its value. On July 7 it rallied once more, recouping almost 65 points in two days. By mid-morning yesterday, after more than a fortnight of wild gyrations, the Dow was back where it started - at 3,510.

These swings in prices reflect investor skittishness over the outlook for equities. The markets are proving

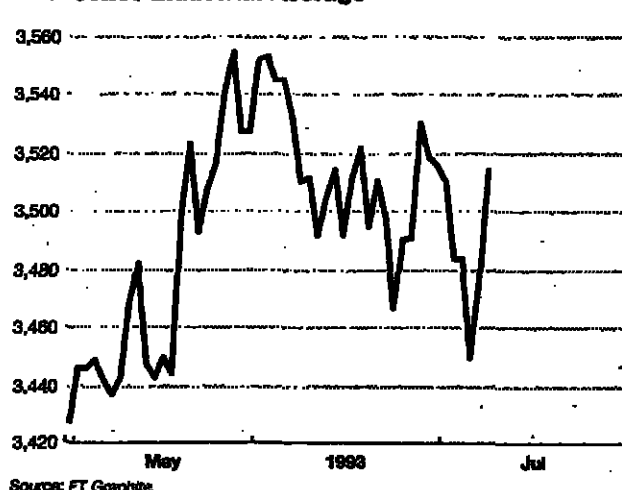
extremely difficult to read, and no one can make a forecast with any real confidence.

This uncertainty has been reflected in a series of recent articles in US newspapers and financial magazines postulating various outcomes for the markets over the rest of the year and beyond.

Pernicious cases have been made that investors should hang tough (prices will remain trapped in a relatively narrow range as investors wait for the economy to take a firmer direction); that they should buy more stocks (as the economy's problems worsen, interest rates will fall even further and attract more money into the markets, pushing up prices); and that they should start selling stocks (interest rates will go up to head off inflation, forcing money out of overpriced stocks and turning a controlled decline into a headlong slide as nervous investors scramble to liquidate their holdings).

Uneasiness about the approaching second-quarter corporate reporting season has only added to the indecisive mood. The run-up to the sea-

Dow Jones Industrial Average



Source: FT Graphs

son has been dominated by profits warnings from companies struggling to maintain earnings growth achieved earlier in the year or late in 1992. To some, the warnings suggest that second-quarter earnings across the board will fall short of expectations. To others, however, the season offers hopes for a rally, on the assumption that most of the bad news has been priced into

stocks already. A good example of this thinking occurred this week when Nike announced fourth-quarter earnings of \$76.9m, up from \$70.7m a year ago.

Although profits were lower than analysts had expected, Nike's share price rose \$1.50 to \$56 on the news, mainly because the stock had been depressed ever since the sports shoe retailer issued a warning

late in June about its longer-term earnings outlook.

Several other factors have been behind the recent price oscillations. Commodities prices continue to exert an influence on stock, and bond, markets. The value of metals, especially gold, has been swinging back and forth, while fears that the huge floods in the mid-west will wreck some of the country's major crop harvests has boosted food prices temporarily.

Energy prices also have been playing havoc on stocks. Earlier this week, shares in the country's airlines were hit by surging crude oil prices as investors worried that the big carriers, already involved in the latest skirmish of a long-running air fare war, would face higher fuel costs.

On Thursday, airline stocks rebounded as oil prices turned tail, but yesterday they retreated once more, this time unsettled by reports of weak June air travel numbers.

The manoeuvrings of the short-sellers - the speculative investors who, anticipating a falling market, sell borrowed stock in the hope they can buy

it back later at a lower price - also have taken their toll. Much of Thursday's 38-point gain in the Dow, for example, was attributed to demand from short-sellers. They had expected prices to decline but, when the markets started heading higher, they were forced to scramble to buy back stock to meet their future obligations.

The short-sellers, in fact, have been taking quite a beating from the markets. Since the beginning of the year, they have been betting that stocks would make a decisive move downwards - but each time the markets have teetered close to a collapse, buyers have stepped in and prices have snapped back smartly.

Of course, at some stage the short-sellers are going to be proved right. The problem is, no one, least of all the short-sellers themselves, has any clue when that time will come.

Patrick Harverson

Monday	Closed
Tuesday	3448.93 - 34.04
Wednesday	3475.67 + 25.74
Thursday	3514.67 + 38.75

The Bottom Line

A race that didn't take place

REGIONAL ELECTRICITY COMPANIES DIVIDEND & PROFIT GROWTH

	Dividend year to March 1993 (p)	% growth from earlier	Pre-tax profit year to March 1993 (£m)	% growth from earlier
Southern	19.8	17.65	187.0	12.45
London	19.5	16.07	145.5	2.11
Midlands	20	15.94	167.1	17.59
Seaboard	20	15.94	112.7	14.53
Northern	21.45	15.63	111.4	13.44
Manweb	20.42	15.07	111.2	17.42
Yorkshire	20.42	14.35	106.3	10.15
Eastern	19.2	14.97	183.4	28.16
South Wales	22.3	14.95	87.0	20.00
South West	20	14.94	101.1	21.81
E. Midlands	19.5	14.04	155.1	3.40
Norweb	20	12.59	157.1	13.92

they are now busy carving out the fat. Thousands of jobs have been shed in the last two years, and several thousand more are likely to go between now and 1995. A typical REC has got its costs down by £20m

a year, with more to go.

Strong cash flow has also enabled the RECs to start paying off the government debt with which they were saddled at flotation. South Wales Electric, which now calls itself

SWALEC, became the first REC to repay all its debt earlier this year, and others will follow.

The RECs have also issued "progressive real increases in dividends", some have even put specific numbers on them, like Norweb which forecast rises of inflation plus 6.8 per cent. The stock analysts agree. Nigel Hawkins, who follows the utilities at Hoare Govett, is forecasting dividend increases of 12 per cent for the current year, and 11 per cent the year after that. "The dividends are safe as houses for the next couple of years," he says.

But there may be another factor: the attitude of the electricity regulator Prof Stephen Littlechild. He takes the view that it is up to the RECs to decide how much profit they want to pay out in dividends -

provided they are reinvesting enough to maintain technical and service standards. In other words, he does not want to get involved. But the RECs are not entirely free from regulatory threat. Prof Littlechild can - and does - influence profits by setting the price controls. Yesterday he announced a tougher price regime for the RECs' electricity supply business.

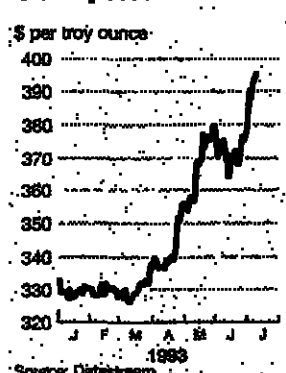
Although this was a minor move affecting only 10 per cent of the RECs' operating profits, it is a forerunner of a much larger review which will affect the other 90 per cent this time next year. So anyone holding REC shares should note that next summer is a key date.

The key to individual RECs' success will be their ability to withstand a cost squeeze. Analysts advise looking for those with strong financial positions, like SWALEC and Southern, or those who have got their operating costs below the average, like Seaboard and East Midlands. Nigel Burton of Warburg Securities, said: "What Prof Littlechild wants to see is efficient companies."

David Lascelles

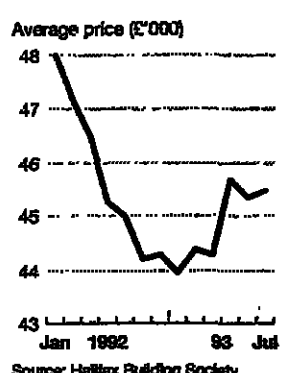
AT A GLANCE

Gold price



Source: Datastream

First time buyers



Source: Halifax Building Society

Gold price continues on its upward path

Gold continued its push upwards but gains did not match those made last week. The rise has been driven by New York investment fund activity and started on June 30 after Sir James Goldsmith, the international financier, announced he was to sell another big block of shares in Newmont Mining, North America's largest gold producer, and buy gold bullion instead.

For a time, the price threatened \$400 an ounce and closed on Thursday night in London at \$395. But bullion prices fell back last night, closing at \$392.75, and dealers were divided on whether the rally will continue.

Some house price cheer

While the general level of house prices fell 1.1 per cent in June, according to the Halifax building society, there was some encouragement in a 0.5 per cent rise in the price paid by first-time buyers. Such prices are still 5.3 per cent lower than they were in June 1992, however.

The average price paid by a first-time buyer in June was £45,455, Halifax said. "As demand for mortgage finance continues to rise, this will feed through to a gradual rise in house prices. We expect prices to move onto a more consistently rising trend in the first half of 1993."

Age Concern's capital book

Age Concern England has published a book *Using Your Home as Capital* for those seeking to raise money from their house. The book covers the main options and is suitably harsh on the ones which have caused investors problems in the past.

For example, under the heading "Investment Bond Income Schemes", the authors write: "These schemes are not recommended under any circumstances" and their advantages are described as "nil". Written by Cecil Hinton and David Bookbinder, the book is available for £4.50 from Dept UHC, Age Concern England, 1268 London Road, London SW16 4EP.

New leaflet on benefits

A new leaflet "Benefits after Retirement" will be available from Post Offices from July 12. It is designed to be a one-stop source of information for older people and contains details of subjects such as income support and benefits for widows or widowers.

Smaller companies faltering

Small company shares faltered this week, after their long rally. The House of Commons Small Companies Index (capital gains version) fell 0.6 per cent from 1478.36 to 1468.88 over the seven days to July 8.

TSB's fixed rate mortgages

TSB has launched a range of fixed rate mortgages. A five-year fix is available at 7.99 per cent on endowment and pension (APR 8.5 per cent) and repayment mortgages (APR 8.7 per cent). There is an arrangement fee of £250 and you have to buy TSB's buildings and contents insurance. The three-year fix (also available on endowment, pension and repayment) is 7.45 per cent (APRs are 7.8 to 8 per cent).

The arrangement fee is £195. For first time buyers only, there is a 5.75 per cent fix for one year (APR 6.1 per cent). You have to take out a TSB endowment policy and TSB's buildings and contents insurance and pay an arrangement fee of £195.

FINANCE AND THE FAMILY

Where to get the most for your money

Worried about falling interest rates and lower income? Scheherazade Daneshkhu looks at the options for the best return on your capital

GENERATING income has become a tough business for those who rely on their savings. The era of low interest rates might be good for borrowers but the effect of the drop in base rates from 15 per cent in 1990 to 6 per cent now has battered savers' incomes.

While they can take some comfort from the fall in inflation they are still having to pay more for goods and services out of less income.

The prospect of a further base rate cut this year will shrink their savings pot further.

The easiest (and safest) way to earn income from 1988-92, when base rates were 10 per cent or more, was to leave money in a high-interest account at a reputable bank or building society.

But savers in search of high income now have to work harder and take more risk for lower returns.

Financial institutions have produced a succession of ever more complicated high-income packages.

The main danger for investors is that they may not know all the risks involved, particularly that capital may be eroded to provide income.

Broadly, the choice is between deposits, bonds and equity-based products. You can also choose between fixed or variable rates.

While the former give protection against a further drop in rates, usually they do not offer the highest returns and mean that investors lose out if interest rates rise.

If you want monthly income,

the choice is more limited, and the rates usually are lower than for annual rates.

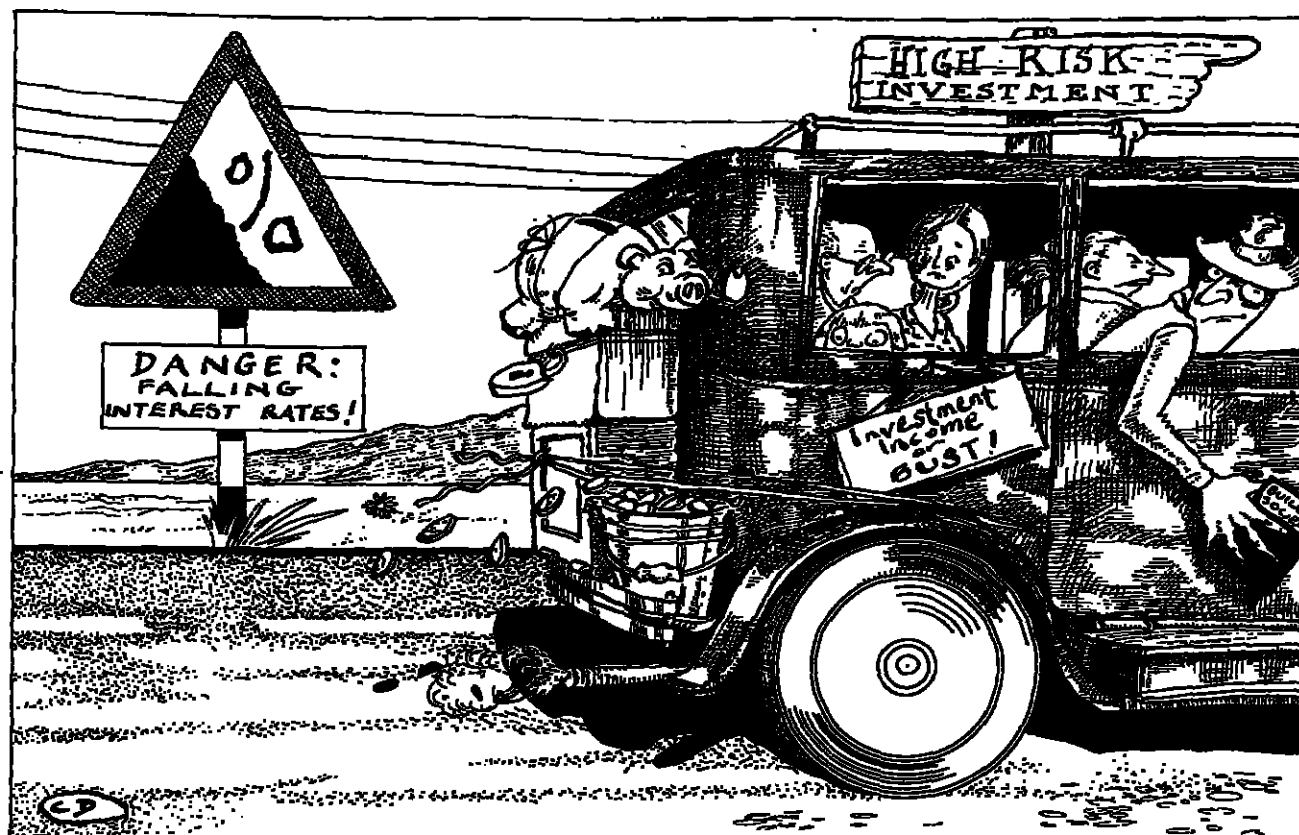
Cash-based deposits

■ Bank and building society accounts
These are convenient but, to get the highest rates, you need a minimum of at least £10,000. The highest rates are shown in the table provided by Moneyfacts on page V1. This includes a section on monthly rates. Postal accounts usually offer the highest interest rates. Bradford & Bingley's Direct Notice postal account will pay 7.5 per cent gross on a £10,000 minimum and 7.75 per cent on £25,000 and above.

Chelsea building society is promising to hold the rate of 9 per cent gross (or 8.65 monthly) until October 1 on a minimum deposit of £10,000 in its Premier VII account. The money must be left in until September 30 1995, although withdrawals are allowed subject to 30 days' notice and a penalty of 45 days' interest.

■ Offshore accounts
These offer income gross, which is useful for non-taxpayers, and often pay rates which are fractionally higher than those onshore. Taxpayers usually can delay payment of tax. On a minimum of £10,000, Woolwich International (Guernsey) will pay 6.5 per cent gross compared with 5.6 per cent gross on its onshore Prime Gold account; both offer instant access.

■ Cash unit trusts
These invest in the money



markets, where money is bought and sold for short periods by institutions and rates change daily. Yields are quoted net of charges. The main advantage is that a higher rate is paid on a lower minimum than can easily be found at bank or building societies. Speed of access is similar to a postal account.

Fidelity's cash trust has a yield of 5.4 per cent gross on a minimum of £1,000; the yield on a £2,000 minimum mini-

mum on Govett's MIS cash fund is 5.1 per cent gross. Prudential's Cash Haven yields 4.7 per cent gross on a minimum of £1,000. There is a chequebook attached to the Fidelity trust for those who keep a balance of £5,000 (cheques must be for a minimum of £250). Non-taxpayers should be aware that income is paid net, so tax has to be reclaimed.

■ National Savings
NS income bonds pay monthly

interest at a variable rate, now 7 per cent gross. The minimum purchase is £2,000 up to a maximum holding of £50,000.

You will need to give at least three months' notice to cash them and only half the rate of interest will be paid on a bond cashed in the first year.

Bonds

■ Gilts
These IOUs issued by the government offer a fixed return for a set period. They can be bought through the National Savings stock register at post offices and income is usually paid twice a year. There is no capital risk to an investor who buys a newly-issued gilt and holds it to maturity, but gilts are tradeable and you might not be able to match the price you paid when you sell.

Many are trading above face value, so you would make a capital loss if you held them until maturity. Gilts are

exempt from CGT but you will not be able to offset any capital losses against gains elsewhere. Redemption yields vary between 5.1 per cent at the short end to 8.3 per cent at the long.

■ Bond funds
Many investors may prefer to buy gilts through a bond fund to take the worry out of buying the right gilt at the right time. Bond funds are unit trusts investing in gilts and other fixed-interest securities. But if a fund has a very high yield, it is likely to be eating up the capital. CGT can be charged on profits from bond funds, unlike gilts bought directly.

You will have to pay for the service, although some funds have been cutting the initial charge of 5-6 per cent. The annual management fee is in the region of 1 per cent.

The fund with the highest yield at the beginning of July was Eagle Star's UK Preference

& Fixed Interest trust (8.8 per cent gross), but it was ranked 51 out of 55 for one-year performance, according to *Micropal*. The largest fund, Barclays Unicorn Gilt & Fixed Interest trust, with an 8.2 per cent gross yield, was ranked 13 over the year to July 1.

International bond funds offer more choice of investments and have the additional element of currency plays (which also makes them riskier than UK bond funds), but yields are lower than for UK funds. Perpetual's Global fund is top of its sector over the year to July 1 with a yield of 6.2 per cent gross, according to *Micropal*.

Offshore bond funds are similar to international bond funds but are based outside the UK. They pay income gross and this can be rolled up for tax planning purposes.

Permanent interest bearing shares

Despite their name, these fixed-interest instruments are more like bonds than shares, since they are issued by building societies to raise capital. They carry no redemption date, so investors must sell them to get their cash and thus will receive the prevailing market price. The greater risk of buying a bond from a building society rather than the government is reflected in their relative high yields. These are between 9.5 per cent gross for Halifax (£50,000 minimum investment) to 10.96 per cent for First National. Interest is paid twice yearly net of basic rate tax and gains are not liable to CGT (unless held in a collective fund).

Equity investments

■ Unit and investment trusts
The yield on the FT All-Share is around 4 per cent gross but collective funds can offer much higher yields.

Split capital investment trusts divide the capital growth and income of the trust between different classes of shares. In March, Schroder launched its Split fund with an

8 per cent gross yield on the income shares after charges. Take advice before investing in income shares because there are different types.

In February, Hypo Foreign & Colonial launched a unit trust with an eye-catching yield of 10 per cent a year after charges. The Higher Income plan uses options to earn a higher income, but at the expense of capital growth.

■ Guaranteed equity bonds
Three new products offer high income but the risk again is of capital erosion. Life Association of Scotland offers 10.1 per cent net, paid quarterly for five years; Save & Prosper's High Income bond promises a guaranteed income of either 8 per cent net or 10 per cent net, while Acuma, the financial planning arm of American Express, has a choice of rates on its Fixed High Income bond of 10, 9 and 7.5 per cent.

You will be paid back a proportion of your original investment after five years but, in order for the whole amount to be returned, the stock market will have had to have rise by a defined amount.

■ Annuities
The aim is to convert capital into income, but with some interest on top. You pay a life office or friendly society a fixed sum in return for regular monthly payments for the rest of your life (or for a fixed period in the case of a temporary annuity). The amounts paid depend on your sex and age. In general, annuities offer better value the older you are and the longer you live, since any capital which is left on your death will be kept by the life office. Annuity rates have been falling - see page IV.

■ Guaranteed income bonds
You pay a lump sum to a life office and get a fixed income for a specified period. At the end of the period, your capital is returned to you. Rates paid depend on the amount invested and the length of time the capital is to be tied up, as the Highest Rates table on page V1 shows.

What the experts think

WE ASKED three independent financial advisers for their choice of investments to produce income. All emphasised the need to spread risk through a well-balanced portfolio of equities, deposits and bonds.

■ RICHARD BOYTON, of Boyton Financial Services: "What investors must look for is total return - that is, both income and capital growth." For a single, basic-rate taxpayer, he suggests buying National Savings income bonds and investing in an international bond fund: "Both CGT and Baring are based in Ireland, pay their dividend gross, and are well-managed."

Many people do not make use of their annual capital gains tax allowance, now £5,800. Recently, Ivory & Sims launched its ISIS investment trust with the aim of providing income by exploiting the CGT. But Boyton is unimpressed by this and similar high-income packaged products: "I'm not so sure these products are without risk."

He prefers zero coupon preference shares in a split-capital investment trust to take advantage of the CGT allowance. As their name suggests, these do not pay income. All the return from a zero comes

as capital growth, which is taxed as capital gain. His choice is Exeter Zero Dividend preference fund.

Boyton says the investments so far should account for 49 per cent of the portfolio. Another 3 per cent should be held in cash and the remainder placed in equities, where he suggests the following investment trusts: Alliance, Electric & General, Foreign &

place 41 per cent in cash and fixed interest with the balance in longer-term equities. Twelve per cent would be in a tax-exempt special savings account (which pays tax-free interest after five years on a staggered total investment of £9,000), cash on deposit in a bank, and in Fidelity's cash unit trust. The National Savings element is the index-linked sixth issue, which pays

funds of James Capel, M & G and Schroder. The funds invested in Europe would be Lazard's European Growth, M & G European Dividend and Morgan Grenfell European Growth, with Fidelity's Controlled Risk America fund for the US. Finally, the Far East funds would be Save & Prosper's South East Asia, James Capel's Japan Growth, and Schroder's Tokyo.

■ DAVID HARRIS, of Chantrey Fellacott, is no fan of high-income packaged products, but he does favour the income shares of Johnson Fry's Utilities trust with a yield of 9 per cent. Traditionally, utilities have paid high dividends and some fund managers are using this as the basis for a high-income fund. Harris regards Cazenove's Utility and Bond fund, which is packaged within a Pep, as good value.

With interest rates low, he does not think this is the time to buy annuities or guaranteed income bonds. Instead, he prefers Whittingdale's Gilt Income fund and Fidelity's Gilt & Fixed Interest, and thinks Pibs are a useful way to boost income although their prices have been rising. He likes Britannia and Bradford & Bingley.

Scheherazade Daneshkhu seeks guidance from three advisers

Colonial, Murray International and TR Far East: "All have an impeccable reputation and the expectation of an increasing income stream together with capital growth." Finally, for exposure to capital growth over a five-year period, Boyton likes Murray Smaller Markets.

■ TONY SHEPHERD, of Shepherd Associates, believes people must accept they cannot get the same level of income as before. He also believes packaged high-income or guaranteed products are unnecessary so long as the portfolio is structured well.

Taking a retired married couple as a sample, he would

3.25 per cent tax-free above the rate of inflation.

Another 29 per cent is in bonds and gilts. Shepherd chooses Fidelity's Gilt and Fixed Interest UK bond fund and the international bond funds of Kleinwort Benson and Baring. The gilts are Conversion 9 per cent 2000 and Treasury index-linked 2 per cent 2006. "These low risk investments are designed to provide a balance of liquidity, inflation protection and some prospects of capital return."

The equity side of the portfolio aims to provide long-term security through capital growth. For UK exposure, Shepherd likes the income

THE A-Z of WARRANTS

Warrants Alert, The Sion, Nailsea, Bristol, BS19 2EP. Tel: 0275-955558

A is for Abstrut New Dawn 'B' warrants, which we advised subscribers to buy at 8p in October. The current price is 58p.

C is for Capital Gains, something for which warrants are ideally suited. Warrants have the potential for much larger gains than shares, and in rising markets they produce some astonishing profits - if you have the right information. Our track record speaks for itself - the average profit from ALL Warrants Alert recommendations over the last year is 121%.

D is for Discount, our special offer to new subscribers. Over the next year we will demonstrate the tremendous opportunities which warrants can provide, after which we are sure you will be pleased to join our growing list of regular subscribers. In the meantime you can subscribe for a year at just £49.95!

I is for Introductory Guide. Don't worry if you haven't invested in warrants before - every subscriber receives a free copy of our essential introductory booklet. This will provide you with concise explanations of what warrants are, where they come from, how they are evaluated, and what all the jargon means.

M is for Merlin International Green warrants, which were recommended in the September newsletter at 8p. The current price is 18p - a rise of 200%.

Warning: The price of warrants can be volatile. You should not buy warrants with money you cannot afford to lose.

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Please return to: Warrants Alert, The Sion, Nailsea, Bristol, BS19 2EP

So little time...

THE DEADLINE to apply for shares in the third tranche of British Telecom (BT3) draws ever closer.

There are separate deadlines for the public (July 15) and the retail tender (July 16). To add to the confusion, different share shops have imposed their own deadlines.

The Bank of Scotland (for example) needs to receive applications by 3.30 pm on July 12 at its branches, or by 10 am on July 13 by post. The deadlines for the big four banks are: Barclays (branches - 3 pm July 12; post - 10 am July 13); Lloyds (branches - 3.30 July 12; post - 5 pm July 13); Midland (branches - 3.30 July 12; post - 10 am July 13); NatWest (4.30 pm July 12).

Those who want large amounts of shares stand their best chance in the retail tender.

The following brokers will accept new clients for the tender: Arnold Stansby (061-832 6554); Braintree & Gifford (071-250 1180); Cave & Sons (0604-21 421); Chambers & Remington (021-236 2577); Charlton Brett (0282-422 042); Fairbank (0204-282 282); Fyfe & Horton Finney (021-236 3111); Griffiths & Lamb (021-236 6841); Henderson Crosthwaite (0800-581 206).

Hill Osborne (0222-813 338); Kilik (071-559 1577); James Sharp (051-764 4043); Keith Bayley Rogers (071-378 0657); M.W. Hargrave Hale (0282-21 575); Neilson Cobbold (061-236 6866); Nicholson Barber (0742-755 100); Pompton York (0638-547 546); L.A. Fritchard (0202-297 035); Roy James (021-500 2200); the Sharecentre (0891-123 808).

Philip Coggan

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TOP QUARTILE ACROSS THE RANGE

Fund and Launch Date	5 Year Performance % US	Quartile Ranking
Money Funds		
US Dollar (10/89)	12.6	1st
Stanford (10/89)	43.7	1st
Yield (10/89)	61.1	1st
Deutschebank (10/89)	52.7	1st
Savings Trust (10/89)	37.3	1st
Multi-Currency Funds		
Guinness Flight (10/89)	65.5	1st
Bond Funds		
International Prime (1/89)	99.5	1st
International High Yield (1/89)	78.4	1st
Stanford High Yield (1/89)	55.1	1st
European High Yield (10/89)	55.1	1st
US Dollar High Yield (10/89)	55.1	1st
Balanced Fund		
International Balanced Growth (1/89)	63.5	1st
Equity Funds		
International Prime (1/89)	53.3	1st
European (1/89)	89.9	1st

GUINNESS FLIGHT

INTERNATIONAL ACCUMULATION FUND

FINANCE AND THE FAMILY

Diary of a Private Investor / Kevin Goldstein-Jackson

Reality — or just wishful thinking?

MANY IN the financial world believe that share prices are based partly on perceptions of companies' future performance. If so, then a number of City people must be expecting a major turnaround in the property market.

Shares in several property companies have soared this year. Shaftesbury is up from 39p to 94p, Claydon from 10p to 38p and Anglo St James from 8p to 15p. Even Dares Estates has risen from 1.35p to 3.5p.

I missed out on all these rises. Why? Because, from walking around city centres, I could not believe the property market was about to stage a dramatic recovery.

I continue to see lots of empty office blocks. Many of them have been unsold since they were built several years ago. High streets and a number of shopping centres still have many vacant and boarded-up shops.

Several million people live in homes worth less than their purchase price. With negative equity, fewer people can afford to trade up to larger properties.

According to the spring/summer issue of Savills' magazine, a very good five-bedroom freehold house in Fulham, west London, which could have cost upwards of £300,000 in 1989, can

now be found at a price starting from £250,000. In Hampshire, a three-bedroom detached cottage which might have fetched £115,000 as recently as September 1989 could be bought in April this year for £97,000. I am sure the market for large country houses will become even more depressed because of the financial problems facing many members of Lloyd's.

Even reading the company reports of non-property companies shows how far some prices have fallen. My personal pension scheme has a small shareholding in Zetters, the football pools operator. In his August 1992 statement to shareholders, chairman Paul Zetter pointed out that two essential London properties owned by the company had been re-valued in December 1989 at £5.5m "when UK property values were at their peak."

He went on: "However, since then, current rentals have halved." And he revealed that the market value at March 31 1992 had been estimated at £1.425m by the company's agent, Chestertons.

For me, one of the attractions of Zetters has been its cautious accounting approach. Having commissioned the re-valuation, the company incorporated it into its accounts, even though it meant a drop in value of more than £4m.



With writedowns like these, why do purely property companies, with no other sources of income apart from rents and property sales, show such a surge in their share prices? Are we about to see a repeat of 1973-74? Are

the sharp rises based on reality or wishful thinking?

A local newspaper where I live in Poole, Dorset, revealed recently that Bournemouth-based McCarthy & Stone had paid doctors and solicitors to provide "leads" to people who would buy its purpose-built retirement flats. The company said it wished to extend this incentive to milkmen and others in contact with likely purchasers.

Many other developers have introduced a variety of incentives to people to rent or buy their properties. But I still feel that, in a large number of cases, prices remain too high.

A recent report by McKinsey & Co showed that prime retail selling space cost two-thirds more in the UK than in the US. True, there are only a limited number of sites available in Britain for massive superstores, but why should average high street properties cost so much?

Why are so many properties still empty? Is it partly because some landlords continue to ask unrealistic rents? Are they doing this to satisfy banks which lent them money based on a multiple of the anticipated rent roll, and are unwilling to admit that the property is worth less than the sums secured against it?

Of course, I am disappointed I

missed out on the excellent profits I could have made had I bought property shares in January. But I sold my last property share in 1989 and have not been tempted back into the sector.

I will continue to avoid such shares in the short term for fear of a collapse. I feel property shares have risen too high, too fast, and that there could be a sharp correction. But I will continue to seek out those non-property companies which run profitable manufacturing and other businesses but have real estate worth more than the value incorporated in their accounts.

A good example is Treant, in which my personal pension scheme bought shares for 113p in January 1992. The balance sheet for the year to September 1992 showed the market value of the company's freehold property to be £237,179, but the statement with the accounts said the directors considered the real figure to be "in excess of this value."

Treant shares are now 163p, due to their excellent trading performance in supplying and manufacturing essential oils and aromatic chemicals for the flavour and fragrance industries. I prefer a company like Treant, with a sound business — plus lowly-valued property — to a purely property-based company.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid share	Market price	Price before bid	Value of bid share	Bidder
Doverish J.A.	375,455	364	282	202.15	Graveland
Securixguard	270	339	185	59.20	Realistic
Toronto Pet.	514	514	5	1.64	Calm Energy
Wells State	420	425	391	87.33	Silabco

*All cash offers. (1) Cash alternative. (2) For capital not already held. (3) Unconditional. *Based on 250 p.p. price 5/7/93. (4) Bidder and cash. (5) Price at suspension. (6) Price in Pounds.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Profit after tax (£000)	Dividend per share (p)	Dividend yield (%)
Aberdeen Ship	1992	185	129	0.61	0.75
Adrian New Dem	1992	187,400	184,000	0.4	1.6
Adrian Group	1992	21,630	18,360	14.44	15.14
Asbury	1992	216	200	0.01	0.05
Asco British Eng	1992	1,220	1,190	19.0	1.0
Associated Mearns	1992	1,250	1,230	1.0	0.8
Avonco	1992	255	240	2.0	0.8
Bancor Homes	1992	11,500	10,800	31.9	10.0
Bespak	1992	26	25	0.1	0.1
British Woodstock	1992	7,810	7,540	7.75	4.4
Bromsgrove Indus	1992	6,200	5,840	3.4	3.0
Bullfinch Indus	1992	3,500	3,200	12.0	15.8
Cardo Engineering	1992	8,750	8,550	14.0	8.8
Castle Mill	1992	384	384	1.0	0.8
Charnock Group	1992	445	445	1.0	0.8
Collette & Fowler	1992	365	365	1.0	0.8
Craighead's Nat	1992	1,000	989	13.9	15.3
Dames Int	1992	744	735	7.8	7.8
Darby Group	1992	2,781	2,699	2.0	2.0
Dunelm Group	1992	33,900	33,100	6.5	6.2
EPM Japan Tel	1992	87	82	0.82	0.4
Essex of Leeds	1992	8,790	8,520	11.28	10.6
Farnpak	1992	5,510	5,340	18.3	14.3
First Spanish Inv	1992	922	7.9	5.88	7.8
Flamingo Group	1992	3,990	3,840	7.77	10.8
Flamingo Int'l High	1992	6,450	6,170	3.99	3.5
Fuller Smith & Turner	1992	8,220	7,800	23.25	25.18
Gibson Lyons	1992	1,410	1,380	9.4	4.8
Gold Crosses Trust	1992	4,200	4,050	15.6	8.3
Grange King	1992	20,100	20,300	35.4	12.3
Hadfield Inds	1992	187	187	1.0	1.2
Holmes Group	1992	647	623	0.0	0.0
Holmes Group	1992	18,300	18,300	0.0	0.0
Joseph Leppell	1992	1,500	1,400	30.0	16.0
London Electricity	1992	146,500	142,600	49.5	17.8
McIntyre Prop	1992	2,850	2,850	1.0	0.8
Midlands Electricity	1992	18,100	18,100	35.5	10.7
Morris Ashby	1992	1,200	1,200	1.0	0.6
Northbrook	1992	973	973	1.0	0.6
Nov-Sell	1992	14,100	14,100	25.05	34.7
Peel Holdings	1992	9,400	9,400	2.41	6.0
Robinson	1992	1,220	1,220	8.4	6.0
Scott's Pickford	1992	291	291	40.9	33.0
Scottish & Newcastle	1992	182,500	182,500	30.8	16.8
Sims Foods	1992	588	588	0.0	0.0
Sterling Publishing	1992	5,810	5,810	7.8	15.3
Stewart & Wight	1992	312	312	0.0	0.0
Tamworth	1992	1,410	1,410	1.0	0.8
Tenax Group	1992	17,600	17,600	12.2	6.0
Templeton Emerging	1992	2,710	2,710	2.17	1.7
Ti Opa	1992	58,000	58,000	15.8	11.5
Topo Estates	1992	1,890	1,890	4.42	1.0
Vandy (Pwll)	1992	4,890	4,890	2.1	4.2
Vandy Brothers Wine	1992	2,780	2,780	9.4	7.8

INTERIM STATEMENTS

Company	Year to	Pre-tax profit (£000)	Profit after tax (£000)	Dividend per share (p)	Dividend yield (%)
Devilhurst	1992	404	404	0.56	0.68
Easton Int'l	1992	9,180	9,180	3.5	3.0
Fyffes	1992	14,100	14,100	0.30	0.30
Gardiner Group	1992	1,850	1,850	0.23	0.47
Hawlin	1992	783	783	0.25	0.1
Lee (Artur)	1992	2,300	2,300	0.4	1.65
Microgen Holdings	1992	3,780	3,780	2.2	2.2
Quintus Almond	1992	38,600	38,600	27.10	6.0
PAP	1992	2,000	2,000	0.08	0.7
Spartan (CA)	1992	36	36	0.0	0.0
St David's Int'l	1992	589	589	0.0	0.0
Torax Hires	1992	139	139	0.0	0.0
Villiers Group	1992	1,150	1,150	0.0	0.0

(Figures in parentheses are for the corresponding period.) Dividends are shown net of tax and are adjusted for any withholding tax. * = 1st quarter figures. Reprints and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results.

RIGHTS ISSUES

Bank of Ireland is to raise £100m via a 4-for-1 rights issue at 100p.
Britannia Group is to raise £13.2m via a 4-for-1 rights issue at 10p.
Evershed & Bardon is to raise £7m via a 4-for-1 rights issue at 40p.
Greyhound is to raise £58.5m via a 4-for-1 rights issue at 12p.
Hollis Bar is to raise £20m via a preference rights issue at 72p.
Miles & Bailey is to raise £4.5m via a 3-for-1 rights issue at 13p.
Siflow is to raise £33m via a 4-for-1 rights issue at 27p.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Britannia Group is to raise £13.2m via a placing & intermediaries offer.
CrestaCare is to raise £35.3m via a placing at 40p.
Quadrant is to join the main market via a placing & intermediaries offer which will raise £20m.
Second HSC Index Inv Trst is to raise £25.1m via a placing & open offer.
Select Appointments is to raise £3m via an open offer of 5m cumulative redeemable preference shares.
Stratagem is to raise £7.8m via a placing & offer.
Select Appointments is to raise £3m via an open offer of 5m cumulative redeemable preference shares.
Stratagem is to raise £7.8m via a placing & offer.

RESULTS DUE

Company	Year to	Pre-tax profit (£000)	Profit after tax (£000)	Dividend per share (p)	Dividend yield (%)
Aberforth Split Level	1992	185	129	0.61	0.75
Adrian New Dem	1992	187,400	184,000	0.4	1.6
Adrian Group	1992	21,630	18,360	14.44	15.14
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BES gets a Footsie link

For every 100p invested, this equates to a return of 12.8 per cent a year to a higher-rate taxpayer and 8.5 per cent to a lower-rate taxpayer. The return is backed by cash deposits.

The second will give a fixed return of 80p for each 100p invested after five years — the original net investment for a higher-rate taxpayer — with a variable return which depends on a rise in the FT-SE 100 index up to June 1993. Investors can divide their money

between the two companies. Is it a good idea to choose the stock market option? The fixed return is not as competitive as similar BES assured tenancies schemes, and Close Brothers says the main attraction is the stock market link.

Investors will be paid 1.85p for every 1 per cent rise in the Footsie between July 30 and June 29 1993, so the index would have to rise by at least 30 per cent over that period to better the fixed price.

The average annual rise in the Footsie in the five years to July 8 was 8.7 per cent, and 11.7 per cent on a 10-year scale, so this past performance would exceed the 30 per cent rise. Gains are tax-free — but this is also true of shares held within a personal equity plan.

What if the Footsie were to slide just before June 29 1993? The sponsors will take an average of the index for the previous 10 days, but that is the limit of your protection.

Other issues this week include: **Aegis III**, a buy-back scheme sponsored by Matrix Securities which plans to raise £9m for accommodation for Coventry University. The exit price is 118p after five years. Bank of Scotland is acting as guarantor up to a maximum of £11m.

Lancaster University Residences III, sponsored by Noble & Co., plans to raise £3.5m for residential accommodation.

The contracted exit price is 120p and the scheme carries a guarantee from the Royal Bank of Scotland.

The Enlightened Tobacco Company, sponsored by Nabarro Wells, is a cigarette company dedicated to truthful tobacco marketing.

The company is selling a new brand of cigarettes called "Death" which carries a skull and crossbones against a black background on the packet. This is a highly speculative investment.

Scheherazade Daneshkhu

So silly not to make a will

PROPOSED changes to the intestacy laws announced by the Lord Chancellor, Lord Mackay, should be a powerful incentive to avoid dying without a will, or intestate.

Although the changes, implementing most of the recommendations made by the Law Commission, improve the position of surviving partners, not all can become law at once. Anomalies may arise during the transition.

Mackay said the government wanted to enable most surviving spouses to stay in the matrimonial home with enough to live on — size of estate permitting. As more than 90 per cent of people dying without wills in England and Wales leave less than £125,000 net, he is to make an order "as soon as practicable" increasing from £75,000 to £125,000 the statutory legacy (or fixed net amount) to be paid to a surviving spouse with children, and from £125,000 to £200,000

the amount going to survivors without children. The government chose to make these increases rather than accept the commission's recommendation that a surviving spouse should always receive the entire estate left by someone dying intestate, as this might have been unfair to children from a previous marriage.

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“I’ve been poor and I’ve been rich.
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FINANCE AND THE FAMILY

HOUSEHOLD insurance premiums can vary so widely that it is best to get as many quotes as you can. Unfortunately, when it comes to a second home, that approach rarely is possible: most of the big insurers will not even consider covering a holiday home unless your main residence is also insured with them. They may even insist on getting both buildings and contents business from you before agreeing to take on the second address.

Their reluctance is based on experience that unoccupied homes are a higher risk, and not just from burglaries. Most claims arise from water damage, whether from burst pipes or storms. An unnoticed burst pipe can cause havoc while a missing tile can let through a lot of water before it is spotted.

For this reason, most insurers impose stringent conditions. They usually demand either that the water system is drained if you leave the property for more than 24 or 48 hours, or ask you to leave the heating on. Most also require that a neighbour or agent should check the property regularly.

Insurers have long memories when it comes to assessing risks. Isolated cottages in north Wales still make some underwriters nervous, even though several years have passed since the last one was burnt down. Most companies say

they will look at each case on its merits but, by and large, a cottage in Wales will cost more to insure than one in Cornwall.

Some insurers - Royal Insurance and General Accident are two - charge the same for a particular area whether a house is a main or holiday home, but cover for the latter is likely to be restricted. Personal effects and valuables are a common exclusion - it is assumed you will not keep a collection of Ming china in your Highlandcroft - and any jewellery you take along to dazzle the locals will be covered under an all-risks clause in your main house policy. Some companies also exclude accidental damage, and offer only indemnity rather than new-for-old cover.

Other insurers load the premiums for second homes to compensate for the increased risk. Norwich Union adds 50 per cent while Eagle Star charges 10 per cent more for buildings and 17.5 for contents. Guardian Royal Exchange loads contents premiums by 100 per cent, but charges the normal rate for building cover. Be warned, though: higher premiums do not necessarily mean that



cover is as comprehensive as your main household insurance. Only a handful of companies offer stand-alone policies designed specifically for second homes. One is the

Andrew Copeland group (081-656 8435), which deals with both UK and foreign holiday homes, whether private or used for letting. It can quote immediately for properties in the

UK, France, Spain, Portugal, Cyprus, the Balearics, Canaries, Malta, Greece, Italy and Ireland. Standard cover abroad costs £2.50 per £1,000 for buildings, and £2.25

for contents; the UK equivalent is £2.75 and £3. Homes in other countries are referred to underwriters for a quote.

Another specialist is Holiday Homes Insurance Services (0706-730 236). Its policies, underwritten by London & Edinburgh and sold direct or through brokers, can cover second homes in the UK, France, Spain, Italy, Greece, Portugal and Malta. Building cover costs £2.75 per £1,000 abroad and £3 in the UK - contents are £8 per £1,000 abroad and £2.50 in the UK. One of its specialities is providing cover in the UK for chalet-style wooden holiday homes, which most insurers reject.

Florida is increasing popular for second homes but UK insurers generally are reluctant to offer cover there or anywhere else in the US. This is because the public liability cover standard on European policies is unlikely to be enough to cope with the huge damages awards made by American courts. Owners of second homes there usually are recommended to take out insurance locally.

Few of the large UK insurance companies will themselves insure

holiday homes abroad but many have subsidiaries or associate companies in European countries - and sometimes elsewhere - to which they can direct customers. One benefit is that local insurers may prove cheaper and swifter at dealing with claims, and will provide policies adapted better to regulations and conditions on the spot.

Subsidiaries of UK insurers may also have the advantage of offering an English language service, which could be a comfort for Italian villa-owners whose Italian can cope better with menus than the small print of policies and claim forms.

Allowing holiday home presents few problems - some insurers even welcome it, seeing any increase in occupancy as reducing the risk - but renting it, whether occasionally or regularly, is a complication from the company's point of view. It is important to let it know if you are planning to let it; otherwise, any claims could be rejected.

If you let only occasionally, on a fairly non-commercial basis (say, to work colleagues or friends of friends), the company might be willing to cover you, but it will exclude accidental damage and theft except where there is evidence of forced entry. If you rent the house regularly to strangers, you will have to switch to a commercial policy rather than standard household insurance.

Bethan Hutton explains why getting cover for your country cottage can be so difficult

Unit Trusts

How Fidelity bounced back

In the first of a new series, Philip Coggan looks at a fund with aggressive instincts

FIDELITY Special Situations was one of the first four funds launched by the US fund management group when it moved into Britain in 1989. Anthony Bolton, who has managed the trust from the start, says it is run as an aggressive fund, prepared to invest in companies in which other people are not interested. The concentration tends, accordingly, to be on the less-analysed, medium-sized and small company stocks, with only 5-10 per cent of the fund in the FT-SE 100 index.

This can lead the fund into trouble during recessions when, for safety reasons, investors favour the more heavily-traded big capitalisation stocks. As the graph shows,

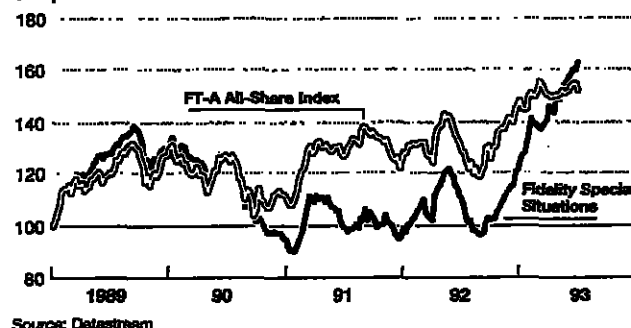
the trust performed poorly over the period from late 1989 to September 1992. Investors who bought at the 1989 peak waited 3½ years before they got their money back.

Part of the problem, admits Bolton, was that the portfolio contained too many disasters - stocks where the investment was lost totally, such as Parkfield, Davies & Newman or Babcock Prebon. But he adds that some of the companies which he backed steadfastly through the recession, participating in rescue rights issues, have turned up trumps in the past nine months. The Rax, for example, has risen nearly six-fold from its low ?????? check.

Since the pound's exit from the European exchange rate mechanism, the bid price has

Fidelity Special Situations

Unit price and index rebased



Source: Datastream

risen more than 70 per cent. That places the fund second in the UK equity growth sector over the year to July 1, with growth of 37.3 per cent (offer-

to-bid with income re-invested, according to *Microcap*). The relative performance of Special Situations over 10 years is also very strong. It is

third out of 50 funds over the period, with growth of 484.9 per cent. Over five years, it is 23rd out of 115 in the sector, reflecting an increase of 59.8 per cent. It is only over the three-year period, where the ranking slips to 63rd of 136, that the relative performance looks unimpressive.

Bolton says that people tended to opt for Fidelity's American fund in the early years because of the group's US origins. It took time to build up a record in the UK. The strong growth achieved by the fund in the mid-1980s helped turn it into one of the largest in the sector and, by last month, it had grown to a healthy £345m.

Bolton feels that is too large to be run by one man, and he relies on a dozen analysts who follow every stock collectively. The portfolio has 104 companies and he tries to follow a strict stock-picking approach, not letting a "macro view" determine his positions. Accordingly, the portfolio is eclectic.

His largest holding is in WPP, the advertising group run by Martin Sorrell which over-reached itself by aggressive expansion in the 1980s. Bolton says the company, having survived two financial reconstructions, should benefit from a consumer-led recovery, although he is reducing his stake after a good run for the shares over the past year.

The second largest stake is in VSEL, the submarine group. Bolton explains: "There is a hole in the order book after 1997 which makes many people nervous, but the company is piling up cash." His next-largest holding is in News International, Rupert Murdoch's UK publishing company.

Other large holdings include recovery plays such as Mirror Group and Wickes and Burton, and "undervalued situations" such as St James's Place Capital and Security Services - where Bolton believes the market has not recognised the value of stakes in, respectively, J. Rothschild Assurance and Cellnet. Bolton also has a substantial stake in Granada, where he has high hopes for the group's interest in the satellite TV station BSkyB.

The trust is run with the aim of capital growth, which means Bolton has no dividend yield constraints on his investment policy. Only accumulation units are on offer, so this is not a fund for those who need income.

■ Charges

The initial charge on the units is 5.25 per cent and the bid-offer spread on July 6 was around 6 per cent. The annual charge is 1.5 per cent. The minimum investment is £1,000.

On the savings scheme, the minimum monthly investment is £50. There is a 1 per cent reduction in the initial charge for those who continue to save for two years. Anyone who invests £100 or more a month gets 1 per cent off the initial charge immediately, and a further 1 per cent discount after two years.

Special Situations qualifies for a Pep. Fidelity has a low initial Pep charge of 2 per cent, but it does impose exit fees on those who sell during the first three years. The exit fee is 3 per cent in year one, 2 per cent in year two and 1 per cent in year three. So, those who hold their investment for three years will see lower charges inside a Pep than outside it.

Directors' transactions

AN ELEMENT of uncertainty has surrounded quoted nursing home companies because of proposed changes in community care funding. But this has not stopped Quality Care Homes from producing a very strong share price performance since its stock market debut last July. Duncan Barnatyn, managing director, has now sold 300,000 at 265p just after announcing interim results which showed a healthy increase in earnings over last year. But he retains more than 8m.

Directors in Control Techniques have a history of deft timing when trading in their own shares. Clement Whistley, chairman, bought 72,000 at just under £2 in March last year while his colleague, Professor Pat McKeown, a non-executive director, bought 4,000 at much the same price some six months later. Neither has yet decided to take his profit but managing director Kevin Curran has chosen this moment to sell 100,000 at 337p.

The shares have virtually doubled over the past seven months, and even over a 12-month period they have outperformed the market by approximately 35 per cent. When interim results were announced at the start of June, the chairman revealed that overall order bookings were up

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)				
Company	Sector	Shares	Value	No of directors
SALES				
Amerisham Int'l	Hth	45,000	358	2
Bentalls	Stor	20,000	20	1
Berkley Group	C&C	10,112	40	1
Battersea	Stor	15,500	38	1
Bowater	Pack	8,000	39	1
Bradstock	InstB	245,000	338	3
Control Techniques	Eng	100,000	337	1
PI Group	Misc	5,870	26	1
Govett Oriental	Int'l	50,000	142	1
MacFarlane Group	Pack	22,000	41	1
Maggitt	Eng	79,668	85	1
Quality Care Homes	Hth	300,000	795	1
Rowe Evans	Plan	100,000	53	1
Staveley Industries	Int'l	103,689	236	1
Sytone	EngG	34,038	92	1
Vaux Group	Brew	89,740	206	1
PURCHASES				
Astec (BSF)	Eng	150,000	95	2
Coats Consulting Grp	Eng	75,000	31	4
F & C PEP Int'l Trust	Int'l	20,000	22	1
Island Group	Eng	9,886	24	2
Invesco	OTHF	30,000	35	1
Marks & Spencer	Stor	10,000	35	1
Quadrant Group	H&L	800,000	144	5
Suter	OTHF	20,000	31	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (if 100% subsequently sold, with a value over £10,000, information released by the Stock Exchange 28 June - 2 July 1993. Source: Directus Ltd, The Inside Track, Edinburgh

20 per cent compared with the same period last year. We rarely record open market purchases by directors in Marks & Spencer, but this week is an exception. Philip McCracken bought 10,000 at 345p.

Colin Rogers, Directus Ltd

HIGHEST RATES FOR YOUR MONEY

Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/c's					
Co-operative Bank	Pathfinder	0345 252000	Instant	£100 5.84% A	My
Birmingham Midshires BS	First Class	0902 302080	Postal	£500 6.75% Y	Yy
Northern Rock BS	Postal	0500 505000	Postal	£2,000 7.05% Y	Yy
				£20,000 7.55% Y	
NOTICE A/c's and BONDS					
Bradford & Bingley BS	Direct Notice	0345 247247	30 Day	£1,000 7.00% Y	Yy
Chorley & District BS	Asstly Share	0257 278373	6 Mth	£75,000 8.55% B	Yy
Chelsea BS	Premier VII	0800 272505	30.9.95	£10,000 8.00% C	Yy
MONTHLY INTEREST					
Brianston BS	Capital Trust	0800 654456	Postal	£5,000 6.55% My	Yy
Bristol & West BS	Balmoral Monthly	0800 100117	30 day	£25,000 7.55% My	Yy
Bristol & West BS	United EditionEd	0800 488487	£1,01.35	£25,000 7.81% My	Yy
Chelsea BS	Premier VII	0800 272505	30.9.95	£10,000 8.65% C	Yy
TESSAs (Tax Free)					
Hindley & Rugby BS		0455 251234	5 Year	£25 8.05% Yy	Yy
Dunfermline BS		0383 721621	5 Year	£3,000 8.00% Yy	Yy
National Counties BS		0372 739702	5 Year	£3,000 7.90% Yy	Yy
Dudley BS		0384 251414	5 Year	£10 7.87% Yy	Yy
HIGH INTEREST CHEQUE A/c's (Gross)					
Caledonian Bank	HICA	031 556 8235	Instant	£1 5.50% Yy	Yy
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500 8.10% Yy	Yy
Northern Rock	Current	0800 591500	Instant	£25,000 7.10% Yy	Yy
				£50,000 7.07% Yy	My
OFFSHORE ACCOUNTS (Gross)					
Woolwich Guernsey BS	Woolwich Int'l	0481 715735	Instant	£500 6.25% Yy	Yy
Confederation Bank Jersey	Flexible Investm	0534 608080	60 Day	£10,000 6.75% Yy	Yy
Deutsche Bank (UK) Ltd	90 Day Notice	0624 883432	90 Day	£50,000 8.00% Yy	Yy
Bristol & West Int'l Ltd	Int'l Premier	0800 633222	6 Mth	£5,000 8.65% Yy	Yy
GUARANTEED INCOME BONDS (Net)					
Consolidated Life FN		061 940 8343	1 Year	£2,000 5.00% Yy	Yy
Consolidated Life FN		061 940 8343	2 Year	£2,000 5.70% Yy	Yy
Consolidated Life FN		061 940 8343	3 Year	£2,000 6.35% Yy	Yy
Consolidated Life FN		061 940 8343	4 Year	£2,000 6.45% Yy	Yy
Laurentian Life FN		0452 371371	5 Year	£50,000 8.00% Yy	Yy
NATIONAL SAVINGS A/c's & BONDS (Gross)					
	Investment A/C		1 Month	£20 6.25% Yy	Yy
	Income Bonds		3 Month	£2,000 7.00% My	My
	Capital Bonds G		5 Year	£1,000 7.75% OM	OM
	First Option Bond		12 Month	£1,000 8.34% Yy	Yy
NAT SAVINGS CERTIFICATES (Tax Free)					
	40th Issue		5 Year	£100 5.75% OM	OM
	6th Index Linked		5 Year	£100 3.25% OM	OM
	Childrens Bond E		5 Year	£25 7.85% OM	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. No Net Rate. I = After 6 months qualifying period. A = Initial deposit of £5,000 or £100 per month required. B = 0.5% bonus providing no withdrawals per annum. C = Rate fixed until 1.10.93. Source: MONEYFACTS. The Monthly Guide to Investment and Mortgage Rates. Laundry Lane, North Walsham, Norfolk, NR28 0SD. Readers can obtain a complimentary copy by phoning 0692 500677.

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MINDING YOUR OWN BUSINESS

The art of running a gallery

Heather Farmbrough on the hard work behind the popping wine corks



Picture this: Anna-Mei Chadwick in her gallery on the New King's Road in London

"It is a myth," says Anna-Mei Chadwick, "that running an art gallery is all about opening shows and bottles of wine."

Five days after the birth of each of her children, she was back at work at her gallery in London's Parsons' Green. She regularly works 10 hours a day, seven days a week. Yet when she advertised recently for a part-time assistant in *The Guardian*, she received 1,000 applications.

Although she was an art market correspondent for seven years, Anna-Mei regards herself first and foremost as a retailer.

"The retail trade is very tough - you need stamina and a lot of help," she says. "Dealing with the general public takes a certain strength. Anybody can walk through that door - this year we've had a record number of flashers."

As the gallery has established a reputation for showing works by both acknowledged and unknown artists, every week several artists walk in uninvited trying to persuade her to exhibit their work.

In 1986, Anna-Mei was the art market correspondent for the *Antiques Trade Gazette* when she realised she had learnt so much about art galleries she could run her own.

With the early 1980s passion for prints on the wane, she felt there was an opportunity to sell affordable art. She found a 1,500 sq ft site on the New King's Road in Parsons' Green and after a long unsuccessful search for a suitable name for the gallery, a marketing friend suggested she used her own. She did, and the gallery opened in the autumn.

Initially, she approached artists she knew and found others by going to open shows and competitions. She concentrates on artists with promise who are not necessarily well-known. In the early days, most paintings sold for under £500; nowadays £500 is the average price with a limit of £5,000. To keep costs down, she insists frames should be inexpensive and simple.

She tries to create a firm market in her artists' pictures. "We don't pay retainers and don't have exclusive contracts with our artists, so we rely on their loyalty to come back," she explains. "We have a set commission for all our artists and pay

within 30 days of the end of the show which is unusual. Our artists know we don't juggle around with the prices on the wall. If you give discounts then people know the pictures on the wall were overpriced in the first place. Besides, if people

came in from the City they'd beat me on the bagging."

At the first one-man show in 1987, featuring the paintings of Roy Freer, just three paintings were sold at the private view. By 1991, clients queued for hours

outside before his show opened. That evening, £30,000 was turned over. That, says Anna-Mei, was exceptional.

Each year, the gallery runs some 17 shows, some shared. The summer exhibition displays the work of about 30 artists.

Private views cost £2,000. "People always think the expensive part must be the wine, but a couple of cases of wine cost nothing compared with printing the invitations and sending them out," she says.

Attendance is unpredictable, although

the presence of one or two celebrities invariably helps. "One of the lowest turn-outs was the night that England played in the World Cup semi-final against Germany, although we did very well that night because the people who came were all serious about buying," she recalls. The recession has had a similar effect: fewer people come to shows than in the late 1980s, but those who do, often buy.

This year, Anna-Mei expects turnover to reach £250,000. Although it has risen steadily since the gallery opened, it was two years before she took on a full-time assistant - and then only because her first child was due in a month's time. She now employs one full-time and one part-time assistant but feels even if she could afford to take on more, she would still need to be in the gallery much of the time. Clients and artists expect to see her.

"Running an art gallery is a very personal business - you have to be there, rather than an assistant. It's not like running a chain of shops."

When she started, her husband, a chartered accountant, took care of the book-keeping. Over the years, Anna-Mei has taken this over. Rent is the main cost, then wages. It has not been all plain sailing: a computer supplier went bankrupt and there have been burst mains and a flood. She has also had to install security tags to counter the pilfering of prints.

The clientele and stock of artists were boosted in 1989 when Anna-Mei bought the client list and artists' names from Karen McGrath, the owner of the McGrath gallery on Richmond Hill, which was closing down. In spite of the offer of partnership with a West End gallery, she has preferred to keep the gallery small and independent while the children are young and has no desire to move to the West End.

Besides, she says, being small means "you can do your own thing and afford to make one or two mistakes." The worst of these was when her former assistant rang a client's wife to inform her that she could collect a painting bought by her husband. It was then discovered that he had actually bought it for his mistress.

■ Anna-Mei Chadwick, 64 New King's Road, London SW6 4LT 071-736-1928

Three rules for staying in the saddle

"BUSINESS plan? Waste of paper," pronounces Athene English with the confidence that comes with survival.

From her shop in Hay-on-Wye, on the Welsh Borders, Athene makes by hand, and sells, a range of bags, wallets, saddlery, hunting and shooting items. Raw materials include traditional English leathers, and 200-year-old Russian reindeer skins recovered from a shipwreck. Items are costed by adding the price of the raw material to labour, calculated at 25 an hour, then applying a mark-up of 33 per cent for wholesale buyers and up to 100 per cent for retail. Off-the-peg retail prices range from £5.95 for a reindeer key ring, to £1,450 for a reindeer attaché case.

"The mark-up is reduced the more labour-intensive the item," said Athene. She began her working life as a professional horse-rider, became PA to the man-

aging director of Gucci, then helped run a small wine import business. Drawing on all three experiences, she set up her own business, The English Saddlery Company, in 1982. When she started she drew up the three rules that have carried her through: "One, I was going to produce the highest possible quality work. Two, absolutely no credit extended. And three, no bank loans: if my business didn't pay for itself, I would close it down."

Athene did a one-year course in saddlery under Tops, a now-discontinued government training scheme. She bought a set of hand tools for £250 the last of her TOPS grant. Then she moved to Cirence-

ster - "because it's a well-boved area" - and started trading. Her working capital was just £500.

Athene's survival in the early days was due largely to her location on public view in the Cirencester Workshops where craftspeople enjoy subsidised rents. "I was paying around £20 a week," she said.

Her first order was to make a parrot lead. "I said yes to all commissions. The satisfied customers passed the word around. That way, I built up a strong local customer base."

In the first year Athene's turnover was £5,000. Over the six years she stayed at Cirencester, this rose to £13,000. Her cus-

tomers included international polo players, and a member of the royal family.

In 1989 she moved to Hay-on-Wye, close to where she grew up. She decided to concentrate on the more commercially viable small leather goods. She changed the company's name to the English Leather Company to reflect this policy. "I realised that I had to take my product to the market, build up a wider clientele," she said.

After talking to other leatherworkers, Athene decided to travel the trade shows. In 1989, she went to the New York International Gift Show, paying £1,500 to exhibit. "I didn't get a single order. It was

a really low point. I felt I had misjudged the market."

One month later, a Japanese company which had been at the fair placed a large order. Others followed. Japan and the US swiftly became big customers. By the end of 1991, 75 per cent of business was export. Turnover that year was £39,000. Recently she has stopped exhibiting. "It was getting too expensive, and my customer base was changing. Today, 60 per cent of my goods are sold into the home market - increasingly by mail order, which now takes up approximately 20 per cent of the total," she said.

Turnover has grown steadily. Last year,

it reached £54,000. The problem today is insufficient manpower. Athene employs a part-time shop assistant. Twelve months ago she started contracting out some items - about 10 per cent of orders - to three fellow craftspeople.

She has made a decision which will enable her to increase production and relax a little. "The Welsh Development Board is giving me a grant/loan package worth a total of £8,000," she explains. "I'm investing in some machinery to do routine tasks." The grant also means she can employ two administrative assistants, giving her the pleasure of going back to where she began - simply making things. ■ The English Leather Company, Mortimer House, Castle Street, Hay-on-Wye, Herefordshire HR3 5DF. 0497-821205

Suzanne Askham

A string of problems

YOUR REPLY to the letter "Wife can't be used as a tax puppet" (May 29/30) caused us concern. Like many married couples, we have endeavoured to take advantage of the legislation on separate taxation of women by equalising our resources.

I gave my wife my tax-free lump sum on retirement, and wrote a simple letter to her confirming this gift. She invested it in the Britannia Capital Trust postal account in her sole name. Although I am an authorised signatory (in the event of her demise), I have never used this power.

It is necessary that the income from this investment, together with my pensions, are used for our living expenses. These are paid into a joint account for this purpose. Any capital that is available is paid into her Capital account.

Our anxiety is that, during these past three years, my wife has purchased from her Capital account three general personal equity plans (in her name and mine), three single-company Peps (in each name), and two Tesas. We each select the shares in our own Peps.

Where does the dividing line occur? Are we transgressing Inland Revenue rules?

It is impossible to say where the dividing line falls - or, to be precise, only the courts can say where it falls in any particular case. As we have explained in replies over the past four years or so, the anti-avoidance provisions of (inter alia) section 674A of the Income and Corporation Taxes Act 1988 are widely drawn.

On the other hand, the Revenue makes it clear - in, for example, the free booklet IR33 (Independent taxation: a guide for tax practitioners) - that, in practice, it does not always follow the rules laid down by parliament in 1989 to stop married couples entering into tax-avoidance arrangements.

If you have not yet seen a copy, we suggest that you ask your tax office for the free booklet IR33. After reading it, you and your wife must either each make up your mind on whether you consider you are covered by the extra-statutory concessions outlined in the booklet (bearing in mind the general warning: "A concession will not be given in any case where an attempt is made to use it for tax avoidance"); or talk decide if you should seek professional guidance through the tax minefield from a local accountant or solicitor.

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

A third course of action would be for each of you to make a complete disclosure of the facts to your respective tax inspectors - and then wait to see if retrospective assessments are made (carrying interest and penalties for late disclosure of liabilities under section 674A etc.).

German tax bill

I OWN Dresden bank shares and have been unable to find out if I can get relief for the German tax deducted. Presumably, 25 per cent German withholding tax has been deducted from your Dresden Bank dividends. Two-fifths of this tax is repayable to you, by virtue of article VI of the FRG-UK double taxation convention (as amended in 1970), and the bank which collected the dividends for you will be able to arrange for the appropriate refund from the German tax authorities.

You are indeed entitled to relief for the remaining 15 per cent German tax against your UK tax liability, and you might like to ask your tax office for the free booklet on double taxation relief, IR6.

Separate accounts

HOW IMPORTANT is it for husbands and wives to maintain separate accounts in order to satisfy the Inland Revenue that dividend and other income belongs to one or the other?

We have separate interest-bearing accounts at the moment, and a joint cheque account (either to sign) into which we transfer funds when necessary. But it would be simpler (and produce a higher rate of interest) if we also had a joint interest-bearing account into which all our funds were paid and to which we both had free access.

Would the Revenue accept tax vouchers and P60s (my pension) as proof of the receiver of the income for tax purposes?

If there have been no transfers of assets between you, then a joint interest-bearing account should not cause any problems under the anti-avoidance rules set out in, for example, section 674A of the Income and Corporation Taxes Act 1988 (inserted by the Finance Act 1989, on the introduction of independent taxation).

Ask your tax office for the free pamphlet, IR36(1992) (Income tax and married couples) or, if you want more details of the anti-avoidance provisions and extra-statutory concessions, free booklet IR33 (1990) (Independent taxation: a guide for tax practitioners).

Inheritance and house prices

IN JANUARY 1991 my father died leaving an estate in which I was to inherit ten tenths of the monies remaining after the estate and probate had been sorted out.

The estate had been placed into the hands of a solicitor as "trustee and executor" along with one other person.

The house was put on the market at £165,000 and with the remaining bank accounts and shares the total was approximately £180,000.

I believe that a sum of around £20,000 has been paid to the Inland Revenue, by the solicitor, in respect of inheritance tax. Subsequently however, given the recession and the bad housing market, the house was sold for £104,000 leaving the total amount of estate left at £119,000.

My question is, can I reclaim the inheritance tax already paid to the Inland Revenue as the final figure does not reach the NIL rate band.

You should be able to take advantage of the provision which allows you to substitute the sale proceeds of an asset for the probate value if that asset is sold within three years of death. The claim to make this substitution must be made by the executors who were liable to pay the tax. If the sale price of the house together with the other assets falls within the nil rate band, the inheritance tax paid could be reclaimed.

■ This reply was provided by Barry Stillerman of Accountants Stoy Hayward.

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FINANCIAL TIMES
LONDON & BUSINESS NEWS

HOW TO SPEND IT

Designers with the future in their hands

Peta Levi on a series of exhibitions which show the breadth and vitality of Britain's young talent

WHETHER IT is a dining table or a button that you want to buy or commission, the New Designers exhibition promises to be a happy hunting ground. Here is the chance to see work by more than 1,000 of Britain's best graduates, the crème de la crème of designers from some 50 different colleges all over the country. If you want to buy contemporary jewellery, ceramics, glass, cushions, scarves – even furniture or a rug – there will be lots to choose from.

Best of all the DTI (through Lady Denton, parliamentary under secretary of state for consumer affairs and small businesses) has invited some 7,000 industrialists to a preview for the first time since the exhibition started 10 years ago. For, though the exhibition is highly popular with consumers (last year about 14,000 people visited it), the response from industrialists has been deeply disappointing. This time the DTI is determined to make sure that those running Britain's manufacturing industries are aware of just how remarkable Britain's pool of design talent is. At the preview on July 14, Lady Denton will present awards worth £24,000 sponsored by industry and City literary companies.

Not everything on display

will be for sale – in among the jewellery and the ceramics, the glass and the furniture will be prototypes or paper designs which their designers will be anxiously hoping to sell to manufacturers.

On the whole the experience of graduating designers is depressing – few British industrialists seem prepared to invest in employing a designer or in developing new products, in tooling or in the strong marketing that new products require. Over the last few years this has meant increasing numbers of design graduates have had to set up in business themselves, doing everything from sub-contracting the manufacturing and overseeing the development of their products to trying to market them.

Many young design businesses founder because they cannot do all these tasks and because they often cannot afford to promote and market their products internationally. To try and help them I started New Designers in Business last year.

This informal group of 60 fledgling design businesses with distinctly slim funding (a mere £15,000 from sponsorship), has already taken part in 11 international trade fairs including New York, Amsterdam, Dubai and Cologne.

Petter Southall, a Dorset fur-

niture designer, says: "Our business owes its existence to NDB's help with exhibitions and press coverage. Last year our turnover increased by 30 per cent and 60 per cent of our total turnover was due directly or indirectly to NDB."

Helen Sayer, a Birmingham textile designer, was spotted at an exhibition by a Japanese company and won a £6,000 order for banners. A German car manufacturer commissioned £45,000 worth of chairs from furniture designers Tom Layton and Alan Perks of F.I.T. and Neil Bottle has exported £45,000 worth of textiles to the Far East and the US.

You can see work by these designers at another exhibition, New Designers in Business at Wolff Olins (Regents Wharf, All Saints Street, London N1), by the canal behind Kings Cross five minutes from the Business Design Centre. The NDB collection is open on 15 and 16 July (10am to 5pm) to coincide with the two Business Design Centre exhibitions – and thereafter by appointment.

It will have work by 80 new designers who have graduated over the last three years. All the work is in production and it includes a wide range of domestic artefacts from furniture, lighting, ceramics, glass to textiles and metalwork.

Also at the Business Design Centre is a second smaller exhibition, "One Year On", of the work of 25 graduates, some of last year's "New Designers" who have set up in business.

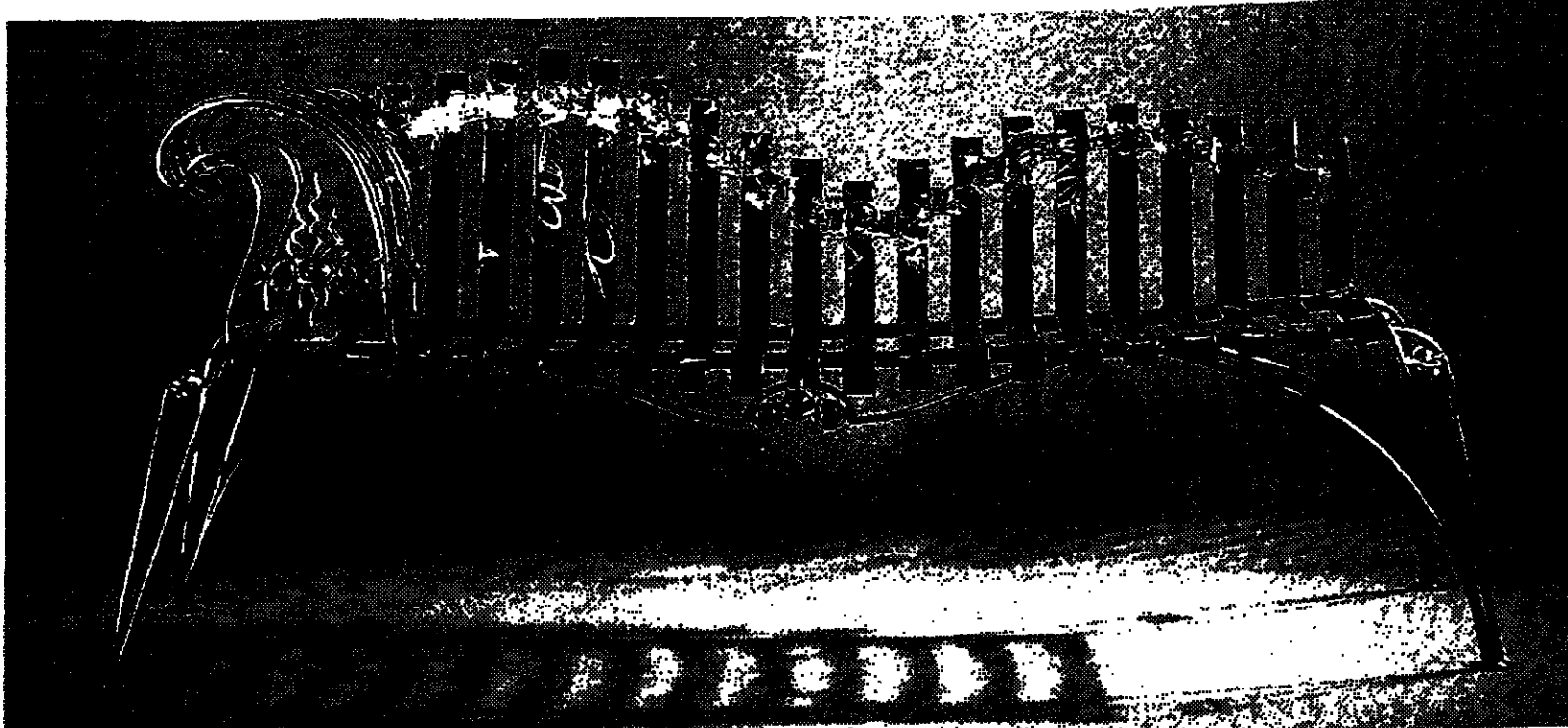
One trend evident at all three exhibitions is experimentation with metals – mild steel, sheet metal, tubular steel, aluminium, bronze, brass, copper, silver, gold and pewter – and with techniques for colouring and patinating. For many years designers have concentrated on casting metal but now they are rediscovering the pleasures of working this malleable material.

Sophie Wilkinson, a "One Year On" exhibitor, says: "Metal is a substantial material, not easily destroyed which can be worked in many different ways – you can forge, weld, hammer, emboss, bend, cut and decorate it." Sophie, a Middlesex University graduate, makes decorative bowls from scrap steel. She plasma-cuts old ballcock valves and patinates them in subtle coppers and bronzes, blues and greens.

The new metalwork varies enormously. On view at "New Designers" are fine pieces of jewellery sitting side by side with large scale architectural work. Particularly striking are three large sculptures in forged steel by Peter Clarke, incorporating copper, bronze and gilded metals. They include a weather vane and a bird's station – the bird's nest is in the shape of an egg, and metal leaves act as water collectors for the bird baths. Peter, aged 40, is one of a growing number of mature students. He spent most of his life in the cloth trade. After being made redundant he did a foundation course at Sir John Cass and a 3-D metal course at Camberwell College of Arts. He hopes that through "New Designers" more people will see and like his work and that more commissions will come his way.

By contrast (but illustrating the breadth of the Camberwell course), Eleanor Kearney is developing a range of pewter tableware. She did her own market research on companies which still manufacture pewter and approached Wentworth the Pewterers in Sheffield, who were prepared to make a prototype of her teapot (for sale at £220). She hopes to batch-produce the teapot, develop a tea service for manufacture and start a mail-order service to bring the price down.

Kent Institute of Art & Design's excellent silversmithing course has regularly produced winners of the Worshipful Company of Goldsmiths' awards at New Designers. Two



winners, Steve Ottewill and Justin Richardson, who have just set up in business together, will be exhibiting their magnificent silver tableware, including water jugs and goblets, in the "One Year On" exhibition.

In the same exhibition is a fully operational telephone, encased in a 5 ft tall welded steel man, which encapsulates the philosophy of many new designers – to make every-day objects interesting to look at and a pleasure to use. What a



client-catcher in, say, an advertising office!

Jane Atfield, who graduated from the RCA last year, is one of the disappointingly few designers currently experimenting with recycled materials – she uses brightly-coloured plastics for her chairs and rugs for the upholstery.

If the end of the last decade saw an explosion of new metalwork, the 1990s may herald a new product age. Watch out for the product designers on the Brunel, Sheffield and Teesside University stands at "New Designers." Perhaps this time next year production Patrick Johnson's fibre-optic cable security system, Sarah Beattie's hand-held sewing machine and Christopher Duman's portable coffee maker will all be in production. But who will be producing them?

New Designers and One Year On are on at the Business Design Centre, 52 Upper Street, Islington, London N1 from 15 to 18 July. Opening hours are

from 10am-5pm on July 15, from 10 am to 6 pm on 16 and 17 July and from 10 am to 4 pm on 18 July. New Designers is sponsored and organised by the Business Design Centre.

Left: Telephone housed in a formed tubular steel sculpture. About 150 cm high, by Paul Badham, £1,200.

Right: Metal candlesticks in the shape of castol by Paul Badham, £15 each.

Below: Decorative verdigris bowl in plasma-cut copper, £45, by Sophie Wilkinson.

All at the One Year On exhibition.

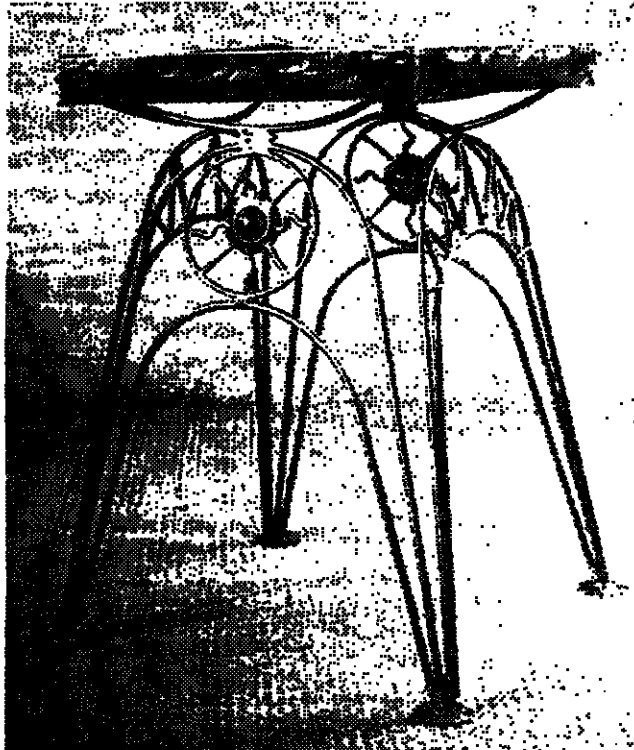
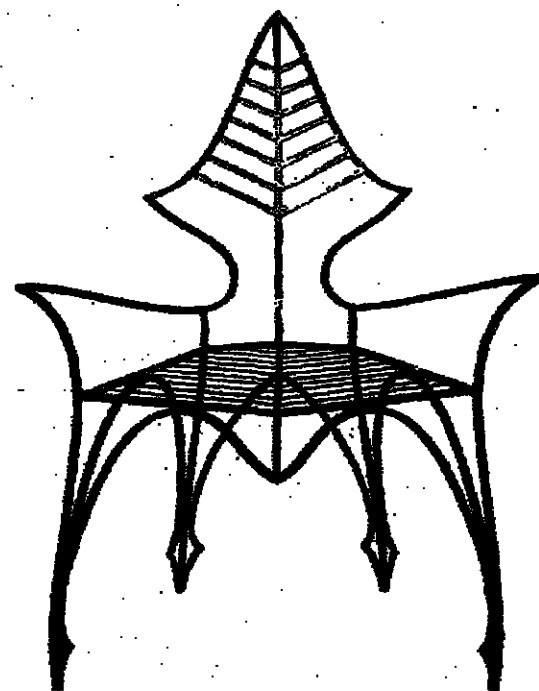
Above: Ground steel and lacquered chaise-longue with decorative glass marbles by Adrian Reynolds, £1,800.

Right: Chair in mild steel bar, cold-formed, blued and waxed, by Rupert Burdett, £848, at the New Designers in Business exhibition.

from 10am-5pm on July 15, from 10 am to 6 pm on 16 and 17 July and from 10 am to 4 pm on 18 July. New Designers is sponsored and organised by the Business Design Centre.

New Designers in Business is at Wolff Olins, 10 Regents Wharf, All Saints Street, London N1, on 15 and 16 July from 10am to 5pm and thereafter by appointment with Peta Levi (fax 071-435-5487).

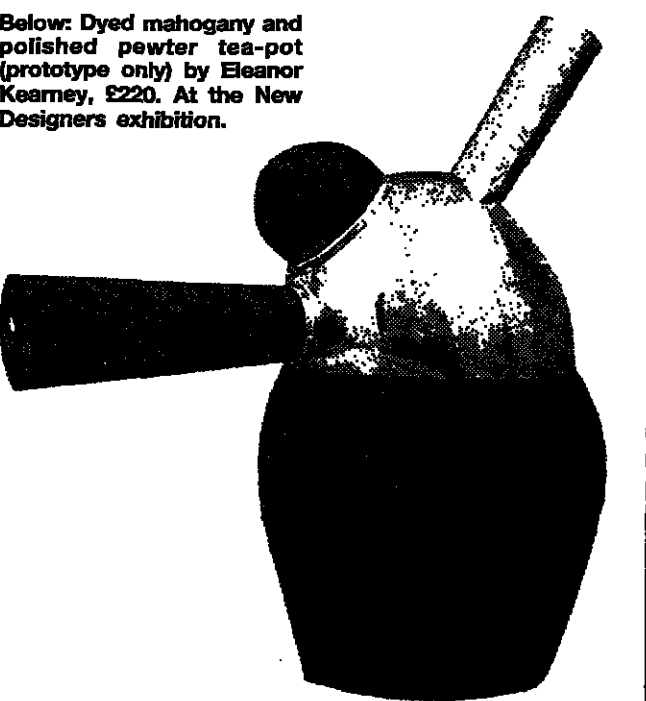
One Year On will go to the Spaxex Gallery, 45 Preston Street, Exeter EX1 1DF from 6 August to 4 September where it will be open from Tues-Sat, 10am to 5pm.



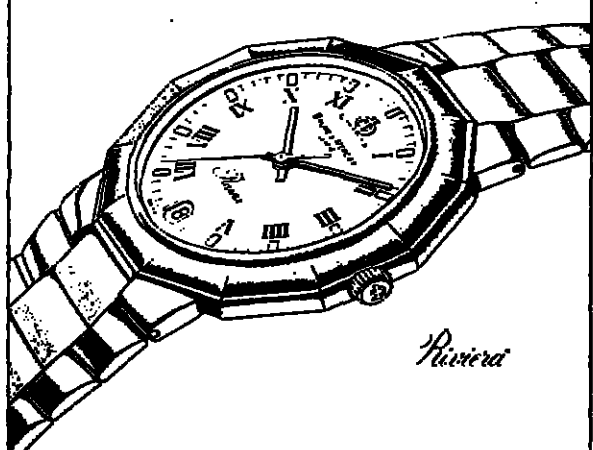
Hand-forged ground steel table by Adrian Reynolds, £320



Below: Dyed mahogany and polished pewter tea-pot (prototype only) by Eleanor Kearney, £220. At the New Designers exhibition.



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FASHION

Victory to the cavaliers of style

Jane Mulvagh says the women's fashion press divides into two sects

THE FEMALE fashion press can be divided into two sects: the timid puritans and the flamboyant catholics. While the puritans, the larger sect, favour austere, androgynous, all-black dress, giving the appearance of low-church parsons, it is the catholics who keep the business going and restore our delight in personal decoration.

The rarer brethren dress up not only for their own amusement but also for those around them. Whim, humour, invention and surprise are their commandments. At British Vogue, fashion director Lucinda Chambers' historicism and the foppishness of features associate Issey Delves Broughton have inspired many designers. The ethnic eclecticism of the freelance stylist Debbie Mason, hyacinth-and-peridot check tweeds of Hamish Bowles (American Vogue), the Fellini-esque costumes of Anna Piaggi (Italian Vogue) and the Van Dyck jabots and Restoration jewels of Suzy Menkes (International Herald Tribune), display their role as the catholic high priests.

When I joined Vogue in the early 1980s the editor, Beatrix Miller - a catholic in Calvinist clothing - encouraged a spontaneity and imagination in dress. The rarest bird in her aviary was Grace Coddington, a 1980s model turned stylist.

Every few months she would shed her plumage and arise phoenix-like with a new image. One month she was a Left Bank ingenue, with cropped hair, Breton T-shirt, cigarette pants and ballet pumps, the next her hair seemed to have grown rapidly and she was a pilgrim on an American prairie or an Elizabethan heroine framed in white lace.

"Bea" loved her cavaliers; be

lie Jane Ormsby-Gore who ransacked her ancestors' dressing-up trunks for a floor-length, Dick Turpin cape and a mammoth "drugs dealer" felt hat whose feathers tickled the corridor walls, or Delves Broughton with her velvet, diamond-buttoned frock coat, laddered fishnets and dizzily high silk-satin mules.

During my first week there I learned that at Vogue there is an outfit for every occasion. Walking into the loo one day I found a gaggle of assistants crowded round a cubicle and went over to investigate. Coddington had eaten a bad oyster. One of her assistants protested: "She can't get sick in her Calvin - go and get her Levis."

At Vogue there is even an outfit for getting sick in! Busy men (Lord Snowdon and Sy Newhouse, the chairman of Condé Nast) would pop into Vogue House just to see what Chambers was wearing. Would it be her Gandhi-esque dhotis made from muslin wrapped round her lower torso and worn with one of her 1940s



Sara-Jane Hoare of Harper's Bazaar in scarlet jacket and black leggings, worn page-boy style



Debbie Mason and Vogue's fashion director Lucinda Chambers in untypically sober mood

blouses, Tuscan straw clogs and huge straw hat decorated with fresh flowers, or a 19th century peasant smock over gold leather, Glam-Rock jeans? I remember dismounting from my bicycle one summer morning, dressed in a white Victorian camisole, bloomers and ballet shoes - quite normal, I thought, until I heard one of the doormen mutter: "In my day if I got my girl down to that I knew I was in business!"

You realised terminal "fashionitis" had set in when you heard yourself saying at dinner parties: "But everyone has a pair of beige, peg-topped Armani trousers, don't they?" Once a fashion girl starts talking like a caption it is time for rehabilitation.

For the fashion press the trick is to devise a look and stick to it no matter what delight or folly is served up as the latest thing, thereby avoiding bankruptcy and sartorial schizophrenia. Few manage to walk this tightrope without succumbing to a "buzz" haircut (shaved up the back of the neck), platforms or Japanese deconstructionism.

One who managed it was the minimalist Sophie Hicks, now an architect. At 17 she started wearing men's clothes, initially Death in Venice sailor suits, and to this day she still wears bespoke Savile Row suits, to show-off her short boyish hair and scrubbed complexion.

One of the interesting conversions of late has been that of Menkes to almost papal status within the catholic ranks. The enlightenment came when she moved from London to Paris. She discarded her London vestments - sober, unmemorable - in favour of dress that recalls the confidence of the Farnese papal dynasty, the colour verve of the Fauvists and the trinket collecting of an African chieftain laden with talismanic tribal necklaces and bracelets. She embodies high fashion luxury and decoration and sports the insignia of the trade's chief catholics: permanent sunglasses, laptop computer, and her idiosyncratic signature a bouffant coiffure in the shape of a cottage loaf.

These limousine-sheltered creatures are, on the whole, the exceptions. Many rank-and-file fashion journalists dress in a dreary and undecorative, sexless manner. And yet these are the women who pontificate from their pages on how our wardrobes should look. Why? Timidity born of knowledge, I would guess. Rather than make a sartorial mistake, they play safe, avoiding colour, pattern and frill. They defensively argue that black is modern, classless, slimming and cheap and, being constantly on the road, they can travel light, for everything matches.

Their shibboleths are leggings, tailored trousers or leather jeans, leather biker's jackets (which Sir Hardy Amies refers to snuffily as "anoraks"), John Smedley polo necks, white shirts and a quilted leather Chanel handbag rucksack or purse, all in colour-shy black.

They also favour sanitised and risibly expensive street-culture accessories - baseball caps, biker's boots, bumbags slung over non-existent bellies - borrowed by "witty Karl" (of Chanel) from clubland. Even the middle-aged are sometimes lured into such youth gear.



Above left: Anna Piaggi of Italian Vogue in one of her Fellini-esque costumes
Above right: Ethnic eclecticism from stylist Debbie Mason
Right: Minimalist Sophie Hicks, now an architect, with cropped hair and mannish suit
Far right: Issey Delves Broughton in foppish hat and veil
Photographs: Niall McInerney and Chris Moore



Grace Coddington, now head of fashion at American Vogue, ethereal, pre-Raphaelite in sober black



Suzy Menkes of the International Herald Tribune in a Van Dyck jabot



Hamish Bowles of American Vogue in violet and yellow check tweeds

Perfect shirts

Lucia van der Post visits Hilditch & Key

ANYBODY who has ever read *The Great Gatsby* will remember the description of Gatsby's shirts "piled like bricks in stacks a dozen high". So beautiful were these "shirts of sheer linen and thick silk and fine flannel" they made Daisy cry. They came, it hardly needs saying, from England which is still the home of the finest of the fine, still the place to which international designers turn when in search of that elusive thing: the perfect shirt.

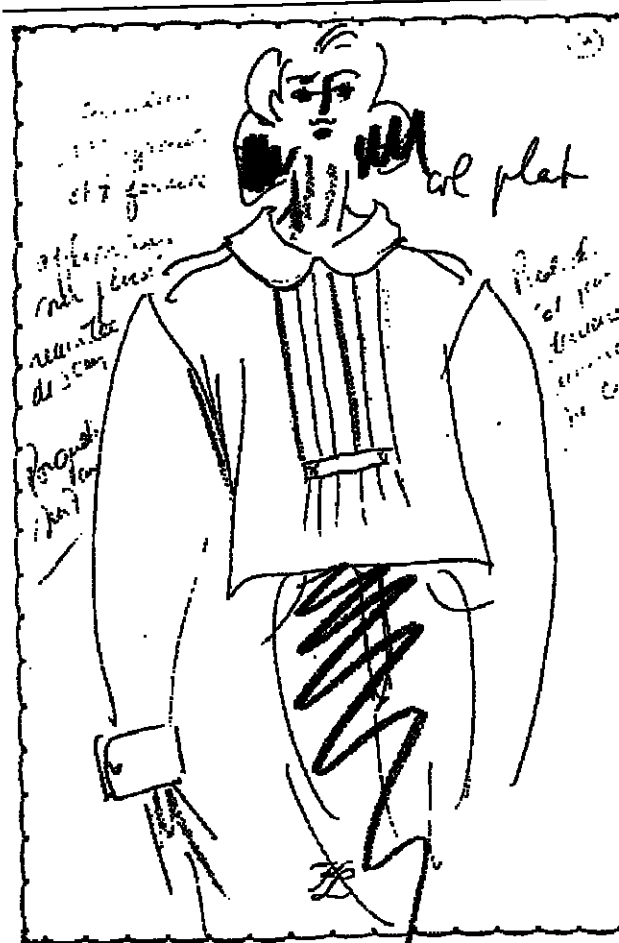
Take Karl Lagerfeld. All his personal shirts, which run to somewhere between 100 and 200 a year, are made for him by the old-established Jermyn Street shirtmaker, Hilditch & Key. More than that, H&K also makes all the catwalk shirts for his shows - for Chanel, Chloe, Lagerfeld and Fendi. Pompidou and Greta Garbo, Marlene Dietrich and M. Balladur have all been fans of the Hilditch & Key way with two-fold cotton poplin.

Making truly high-quality shirts in these mass-manufacturing days is a niche business, never likely, because of the costs and the handwork involved, to make its owners rich. Michael Booth, who bought H&K 17 years ago when it had a turnover of £200,000 a year and sold between 1,000 and 1,500 shirts, has taken it to the point where today it has a turnover of about £4m and sells between 60,000 and 70,000 shirts a year. He sees it as a small, specialised business which is almost a last bastion of traditional shirt-making skills.

Given that there are, as Booth puts it, "lots of reasonable shirts around" selling at about £25 a time, why is it that shirtmakers such as H&K need to charge anything between £55 (H&K's lowest price in normal times) and £115 (Turnbull & Asser's top price) for their wares? With good quality shirts what counts is, as the late Lord Marks is alleged to have said in another context, "detail, detail, detail."

They should be made of fine two-fold cotton poplin. If made of striped material the stripes should be matched on the placket, on a split yoke, between the shoulders and sleeve, as well as on the pocket and on the gauntlet attached to the sleeves. The stitching also tells a lot. Single-needle stitching is much stronger and therefore finer than double-stitching (which is faster and cheaper). The collar should be made of two pieces with removable bones for a better fit and longer wear. Buttons should be mother of pearl and the back of the shirt should be 2 cm longer than the front - so that it will not come out.

And if all that attention to detail seems wasted on a mere man H&K now has a range for women - mostly made from the same two-fold cotton poplin but there are some in linen and a few in silk, some classic, some highly fashionable.



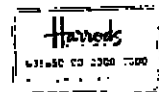
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PERSPECTIVES

Superstar route for royalty

John Lloyd has been ploughing through the torrent of books on the British monarchy

OF THE books about the British monarchy published in the first half of this year, the majority advertise in their titles that they are diagnoses of sickness, even death.

Two proclaim the fall of the House of Windsor. One gets "behind palace doors." Another borrows law court language - *Diana v Charles* - to emphasise the hectic distaste which the Prince and Princess of Wales conceived for each other. A fifth sees the crown as "tarnished." A sixth boldly psychoanalyses the family. A seventh homes in upon the royal marriages with the ruthless eye of the scandal-monger.

The books are themselves a pathology, for the four journalist-authors - Nigel Dempster/Peter Evans, Anthony Holden and James Whitaker - were all scribe-courtiers, even fawners on their subjects. Now they take the insouciant high ground of the scornful know-all, seeing "nothing but lechery" wherever they look.

For the writer A N Wilson, the most disdainful of them, the behaviour of Charles, above all, has been a betrayal of trust. Wilson is forced to suggest an unlikely alienation of the monarchy from the Windsor family in order to preserve it.

One of the two Ladies writing, Lady Colin Campbell, is a distant relation by marriage to the British royal family and to "most of the royal houses of Europe," and is bitchily revelatory, whisking aside bedroom curtains across a continent and four generations.

The one academic, a former Labour politician turned radical, Stephen Haseler, sees the pass to which sex has brought the monarchy as the starting point for his vigorous, neo-conservative republicanism.

Other critical books have been published since the second world war - that is, in the period when the royal family became the Holy Family (a myth started not by the present Queen but by her mother, that hard nut with a creamy, sweet coating). But Percy Black's *Mystique of Modern Royalty* and Kingsley Martin's *Crown and Establishment*, for example, were chiding, not radical.

In the late 1980s, two books were published which, although resigned to the continuation of popular sycophancy, nevertheless began to strike chords. The doughty republican Edgar Wilson's *Myth of the British Monarchy* appeared in 1989. More stylish was the Scots Marxist Tom Nairn's book, *The Enchanted Glass* (1989). It was a meditation on royalty and its acceptance in British public and fantasy life.

It was good stuff, but what else would you expect from a Scots Marxist? The fact that it attracted attention was not due to left-wing agitation but to something quite different: to the best impulses of Thatcherism - a dispassionate and undifferentiated questioning of the way we organise ourselves. This questioning left its mark everywhere, and has permitted some curious alliances in the 1990s - as on royalty. Linked to this was the growing lack of inhibition of the popular press.

Although they prepared the ground, the Thatcherites retreated from it because deference was still too strong in their bones. The most radical of them - Keith Joseph, Norman Tebbit, David Young and Margaret Thatcher herself - all in

'The royal family must create the largest and best-designed royal museum-cum-fun-park in the world'

the end were too bourgeois to press the logic they had unleashed. They bowed the knee and took the peerage route into the decompression chamber of British public life.

Behind them, however, they left a right-radical popular press, led by *The Sun*, without the restraining influence of the leader herself. In the past two years the press has launched attacks more forcefully and promiscuously than ever before, reaching deep into previously taboo heartland. The medium for this travel into the forbidden zone was sex. These books, with the exception of that written by the Roundhead Haseler, are full of it.

This is natural enough. The British monarchy has much more of a duty to reproduce than to rule. Alone among the state functionaries of Britain, the monarch's sex life can be reasonably said to be of public interest.

The lamp of the media's attention has been hottest on Charles: he has melted, though not completely. Most of the books, especially Holden's and Wilson's, view the prince with real contempt, ridiculing his intellectual pretensions, his vacillation over marriage and his finally surly resignation in marrying.

Whitaker, with the wariness of a tabloid reporter who cannot afford to offend a future king - although

he, as the others, doubts that Charles will now make it - is less censorious. He makes the even-handed, sad comment that "put at its crudest it came to this: he needed someone to produce a future king, she desperately wanted to be Princess of Wales." On balance he prefers the princess with whom, on his account, he has had a number of heart-to-hearts, especially just before the wedding - as on royalty. Linked to this was the growing lack of inhibition of the popular press.

The male authors all agree that the princess was ready to love, but that she ran up against Charles' desire to carry on with a routine of duty, philosophising, polo, fishing and, ultimately, adultery.

In a soupy pre-marriage interview, both Charles and Diana were asked if they were in love. She simpered assent. He gave his, then added: "Whatever love means." Since that was not part of the wedding-of-the-epoch script, it was made little of. However, today's republicans-come-lately see it as the emotional viper in the bosom of the marriage.

Diana, already sanctified by Andrew Morton's *Diana* - a powerful and mythic work - has a much better time of it from the authors. All note her dimness, her ambition and, by far her most important characteristic, her chameleon-like nature.

With tabloid economy, Whitaker puts it best: "She had a knack for picking up the gestures that define a personality." Holden, quoting the US author Camilla Paglia, says that Diana "may have become the most powerful image in the world today, a case study in the modern cult of celebrity and the way in which it stimulates atavistic religious emotions." And he lists the stereotypes at which she now takes a turn: "Cinderella, betrayed wife, princess in the tower, mater dolorosa, pagan goddess, Hollywood queen and beautiful boy."

Lady Campbell is the notable dissenter from the general view that the princess is the more sinned against. She has written a magnificent book whose veracity it is completely impossible to determine, though her blood ties to the royal families of Britain and Europe would in nobler times have removed any doubt as to her word.

She is in every bed chamber, including that of the queen and the many occupied by the Duke of Edinburgh. Of Charles, she believes that a man in his position will, after the duty is done, take a mistress or mistresses. Diana's inability to tolerate this appears to her "irrational and childish." She presents the princess as a



All dressed up: Queen Elizabeth II. "The royal family can survive as charity superstars, but they must be ruthless with their ceremonial... Clever accountability is not the option for them that it is for most of the rich."

tantrum-prone bully without the intelligence to grasp what was expected of her and the stakes for which she was gambling.

Of course, the famous "Camillagate" (Prince Charles) and "Squidgy" (Diana) tapes are represented in both Dempster's and Whitaker's book. The tapes' contents are well known. I found the Prince's conversation touching to the point of feeling a stab of sympathy for him, and Diana's deportment while she was being grossly flattered by James Glibbey unnervingly self-controlled and narcissistic.

Can the greatest surviving monarchy on earth live through this? As rational British citizens, we must hope not. But we must also - knowing the depth of its cunning, the rotundity of its purse and the reserves of popularity it still commands - fear that it can.

The answer to its survival lies with Diana. In her embrace of stardom and in her ability to lead herself to a series of pre-determined

images - especially of the "caring" sort now so much in vogue - she has mapped out a route that her sister-in-law, Princess Anne, has already discovered in a lower-key way.

The British royal family can survive as charity superstars. They must be ruthless with their ceremonial, trimming it to what is amusing and splendid on occasion. They must open up not just Buckingham Palace but all the palaces, including the so-called "private possessions" like Balmoral and Sandringham - in reality, as Holden writes, the product of Queen Victoria's adroit begging for public finance. And they must open all the art and other collections.

They must create, probably outside London, the largest and best designed royal museum-cum-funpark in the world - a royal Disneyland. They must accept that clever accountability is not the option for them that it is for most of the rich. They must eschew the marginal controversies which

they have stirred up in the past in favour of being deeply, broadly, constantly caring.

It will be pretty sickly, but it might keep the show on the road, sparing us the horror of having to vote for a head of state like lesser races do.

■ *Diana v Charles*, James Whitaker, Signet, £14.99.

■ *The Tarnished Crown*, Anthony Holden, Bantam, £16.99.

■ *Inheritance: A Psychological History of the Royal Family*, Dennis Freidman, Sidgwick and Jackson, £14.99.

■ *Crowned Heads*, Lady Veronica MacLean, Hodder and Stoughton, £25.

■ *Behind Palace Doors*, Nigel Dempster and Peter Evans, Orion, £16.99.

■ *The Rise & Fall of the House of Windsor*, A N Wilson, Sinclair-Stevenson, £14.99.

■ *The End of the House of Windsor*, Stephen Haseler, I B Tauris, £14.95. ■ *The Royal Marriage*, Lady Colin Campbell, Smith Gryphon, £15.99.

Science under the microscope

Modern forensics raise serious questions of civil liberty, says Larry Klinger

ABOUT 100 years ago, a certain John H Watson, MD, arrived in London and met someone with whom to share lodgings. The doctor was warned that this fellow was a little queer in his ideas: his enthusiasm for science could be bizarre.

The two of them met at a hospital's chemical laboratory. At the sound of Watson's approach, he leapt up with a cry. "I've found it! I have found a reagent which is precipitated by haemoglobin, and by nothing else. Why, man, it is the most practical medico-legal discovery for years... It gives us an infallible test for blood stains..."

A few days later, Sherlock Holmes and Dr Watson set up joint residence at 221B Baker Street.

"Holmes was on the right track," says Robin Keeley, head of the analytical chemistry department at London's Metropolitan Police Forensic Science Laboratory (MPFSL). "My colleagues tell me that Holmes' constant admonitions about too little attention being given to shoeprints can still be appropriate."

"However, Watson was less than prophetic when he claimed Holmes had 'brought detection as near to an exact science as it ever will be brought in this world'." Robin Keeley and the other 220 scientists at the MPFSL - arguably the most respected laboratory of its kind in the world - are confident of their state-of-the-art tools, techniques and methods of examination. But they are also disturbed by their profession's lack of esteem.

As the efficacy of forensic science grew, so did its use, especially as the courts increasingly sought corroborative expert advice in support of circumstantial evidence and confessions obtained by the police. Today, there is hardly any serious crime that is detected that does not involve forensic science.

But never has it been so controversial, and nowhere is this truer than in Sherlock Holmes' England, where a royal commission of enquiry into the criminal justice system issued its report this week.

The commission was set up in the wake of the March 1991 acquittal of the Birmingham Six, who had spent 16 years in jail for alleged IRA terrorism. Their acquittal was based in large part on the discrediting of forensic evidence. The government said at the time that the inquiry was designed "to minimise as far as possible the likelihood of such events happening again."

This aim may yet be achieved, but the embarrassment for ministers, police, judges, lawyers and forensic scientists continued unabated. In addition to the Birmingham Six, further acquittals saw the release of the Guildford Four, the Maguire Seven and the Tottenham Three, among others.

Scientists at the MPFSL say their laboratory was not deeply involved in the now-overturned sensational terrorist convictions of the 1970s.

The main forensic evidence for these came from laboratories operated directly by the government. The Metropolitan Police laboratory itself is the only one in Britain, and possibly the world, run directly by the police and with an entirely civilian scientific staff.

However, MPFSL scientists agree with their counterparts in government laboratories that the reforms adopted since the 1970s have already provided important extra safeguards in the quality control of forensic examination itself, and in promoting disclosure to the defence of evidence that might be damaging to the prosecution.

In the more controversial convictions that were subsequently overturned, evidence had been produced to demonstrate virtually conclusively that some of the defendants had handled explosives. It later emerged that similar results might have been produced by the handling of soap or boot polish.

Of all the criticisms levelled at forensic science, the one that draws the most emphatic response from Brian Sheard, director of the MPFSL, is the accusation that forensic scientists are secret and conspiratorial.

The laboratory is an open organisation, he says. "We are obliged by law, and believe it to be right, to make all our results available to the defence. The defence are always welcome here. They are welcome to make their own examinations. Our people will not interfere, except to help."

Conversations with Dr Sheard's staff bear him out. Apart from an understandable refusal to have their photographs taken front-on, and some reluctance to reveal tech-



A biologist examining a blood-stained knife at the Metropolitan Police Forensic Science Laboratory in London

niques that might help criminals avoid detection, they display an openness in discussing their work that is uncommon in most big companies and government ministries.

"Our role is to put expert evidence and interpretation before the courts," says Keeley, "not simply to try to put people in jail. We are scientists, which means we must maintain openness of mind."

"Almost ironically, some of our scientists feel uneasy about doing work only for the defence, because,

unlike the prosecution, they are not required to freely make available results that might be embarrassing. To be able to bury inconvenient information sits very uncomfortably with many scientists."

"What people do not generally realise is that a lot of our work involves establishing innocence rather than guilt, to eliminate suspects from investigation, and as early as possible. Nearly 90 per cent of our DNA [genetic profiling] work produces that result."

Although Britain pioneered the development of finger-printing in the second half of the 19th century, modern forensic science was late in arriving in London.

Now, the Met's laboratory, in central London, is the largest in Europe, probably the best-equipped, and is renowned for pioneering work in the development of scientific methods applied to crime.

It helps to bear in mind three things about the MPFSL's work. First, much of its routine work involves establishing whether a crime has, in fact, been committed.

Second, almost all the laboratory's work involves corroborative, not investigative, work. The MPFSL's investigative work centres on only two of its units, both with specialised mobile laboratories and staff.

The Serious Crimes Unit can be involved in any major crime - murder, rape, armed robbery - and in many ways, such as applying chemical methods to discover blood stains. However, more than 90 per cent of its work involves discovering and developing latent fingerprints on surfaces such as shiny cars and dull paper such as cheques and airline boarding passes. In turn, the Fire Investigation Unit visits all fire scenes and some types of explosions in which death or serious injury has occurred and virtually all where arson is suspected.

Third, the corroborative work, while involving sophisticated techniques, is still often analogous to the long-established practice in dealing with fingerprints: comparing in painstaking detail evidence "lifted" at the scene of a crime with evidence obtained from a suspect.

For example, MPFSL scientists can demonstrate with varying degrees of certainty that a minute strand of fibre found at the scene came from a jacket discovered in a suspect's home. They cannot prove that the suspect was at the scene, only that the jacket probably was.

Keeley can not only demonstrate that the wearer of that jacket recently discharged a firearm, but also that he carried a cigarette lighter, and therefore probably smoked - or, from certain chemical ele-

ments, that he had been involved in the cooking of food, and thus, if a man, might have been living alone.

Similarly, a floor down from Keeley, Pam Hamer and her colleagues spend a lot of time peering through microscopes to compare the soles of suspects' shoes with scene-of-crime shoeprints. As with the fingerprint's complex ridges, troughs and swirls, the shoeprint has a complicated pattern of wear, tear, scuffs, nicks and repair marks.

The firearms section is headed by Brian Arnold, whose statistics bear out a depressing increase in the criminal use of guns, especially in robbery; here, revolving vises and paired high-powered microscopes compare myriad rifling, breach and firing-pin marks.

But there is one department of forensic science where the fingerprinting analogy is so marked that it has created a widespread misconception, one so strong as to complicate the already complex debate over the profession's most controversial development since the advent of fingerprinting techniques.

"The popular term 'genetic fingerprinting', which unfortunately is even used by some experts, is misleading," says Cecelia Buffery, a specialist in the laboratory's DNA section. "The main trouble seems to be that the early practitioners, especially in the US, made claims that couldn't be substantiated."

"Genetic profiling" is still not uniquely identifying, though it may become so as the technology grows. "Until then, it will continue to reflect probabilities, not certainties, though very high probabilities." However, says Buffery, "this is not to say that DNA profiling is anything less than a very powerful technique."

But controversy remains. It centres on the strength of the probabilities, but includes serious civil liberties questions. For example, should the police have the right to take DNA samples from suspects or those convicted? Should DNA results obtained from innocent people be kept in databases? Some of these questions were addressed in the royal commission's report this week. Among 352 recommendations was a call for an independent forensic science advisory council to oversee standards.

While it is hyperbole to say that forensic science is on trial, it is true to say it is under the microscope - and that Watson, though possibly not Holmes, would still be amazed.

Riding the rails past the ruins of Russia

■ From page 1

If the ballerina was shocked by what she saw, her companions were more shocked by what they had to pay. The Soviet Union was never cheap for westerners, if only because of an artificially inflated rate of exchange which demanded sterling-rouble parity. In each city where foreigners were permitted, there was a hard-currency hotel and bar.

Today the rouble, debauched by Russia's central bank, is worth about a 10th of one American cent. Soviet citizens formerly had money to spend but nothing much to spend it on. Thanks to the black market racketeers, they can now buy most things - even bananas - but they cannot afford them.

In the two-tier economy that has emerged, foreigners must pay international prices if they wish to inhabit the first tier. One couple from the Bolshoi Express, more enterprising than the rest, discovered the remnants of the rouble economy and managed a day-long excursion into the countryside on 260 roubles (about 25p).

The others gaggled when offered chips at the Slavjanskaya, a business hotel in Moscow, for \$6 a plate. "But that's a teacher's weekly wage here!" they protested.

A young woman in one of the new private-sector souvenir shops admitted that she earned in three days what it had taken her a month to earn before as a teacher. Standing before rows of *matrioshka* dolls - the population of which has exploded - she confessed that her sights were raised higher still.

"I would like a foreign husband," she said, gaily.

Wasn't she married?

"Yes. But no good," she laughed. In the scramble for dollars, everyone has to be on the make. Military bandmen go busking and children play truant from school to wheedle dollars at the places where the coaches stop. Books bought for roubles in the shops during the week go on sale on the street for dollars at the weekend.

Every trader is paying protection money to someone. The "protectors" are identified easily: they wear expensive and flashy clothes and lounge on street corners with mobile telephones to their ears.

They also control the prostitutes who now haunt the foreigners' hotels routinely. A couple of listless teenagers with dyed-blond hair and leather mini-skirts sat in the bar of the Astoria, watching a television game show called *First Love*. It was a parody version of *Blind Date* in which precocious munchkins (some of them also wearing mini-skirts) won prizes and applause for cute comments about pre-teen romance.

The Bolshoi Express chugged southwards. The Old Russian began to breathe more easily; his Russian barman had been persuaded to serve gin and tonics in one glass instead of two, the passengers had begun to form into discrete gossip groups and were, happily, looking out their desert wardrobes.

At Volgograd, formerly Stalingrad, where Hitler suffered his first defeat at the hands of the Red Army in the battle that changed the course of the second world war, this passenger turned for home.

The local airport is a rickety affair standing above the monstrous, grey city. The woman behind the counter pulled a face. "Moscow?" she said. "Flight is full up." Shown a ticket, booked and confirmed, she smiled, pityingly.

At that moment, two preppy young Americans came bounding into the foreigners' lounge. They joked in fluent Russian with the clerk, who seemed to know them. They were officials of the International Finance Corporation, the private sector arm of the World Bank, going home on leave after long months privatizing the city of Volgograd. "Don't worry," they advised. "She always says that."

The woman pretended to make a telephone call, shuffled some papers, stamped the ticket looked up and said boldly: "One dollar." It was the final squeeze.

THE Bolshoi Express runs from St Petersburg to Tashkent, and vice versa, stopping at Moscow, Volgograd, Astrakhan, Urganche (for Khiva), Bakhara and Samarkand.

The price is £4.99 for a couple, £3.45 single. Other routes: St Petersburg and the Baltic States (£4.79 double, £3.26 single), Moscow and the Golden Ring (£4.39 and £3.04), White Nights in Archangel (£4.19 and £2.84).

Prices include return air fare from London, food on board, bed and breakfast in hotels, transfers and sightseeing. Bookable through Cox & Kings Travel, St James Court, 45, Buckingham Gate, London SW1E 6AF, tel: 071-834-7472.

FOOD AND DRINK

Cross-Channel wine buying – is it worth it?

THE government does have other things on its mind, but when will someone draw its attention to the absurdities entailed by the relaxation of duty free personal allowances?

There is something absurd about the current mass deployment of Customs and Excise officers in undercover operations and dawn swoops, all to track down lorry loads of French beer imported by duty evaders selling on what was supposedly for their personal use. As each petty villain is expensively brought to trial, another is surely risking his axle in some Calais car park under the weight of booze, supposedly but, preposterously, for personal use.

Another absurdity is the current cross-Channel traffic in bottles and people. British wine merchants who have had the enterprise and energy to establish outposts in northern France (see below) have been despatching wines back across the Channel so that they can be packed into a British boot and trundled back across the waves for the third time as part of a duty free personal wine allowance.

British wine (and beer) drinkers meanwhile are deliberately crossing the water on booze-buying day trips. With Dover a new Malmö, isn't it time to lower our duties to more European levels?

Almost certainly, but for the moment there are a few circumstances in which it makes sense to import your own wine. Technically, the recommended guideline for wine enthusiasts is a duty free allowance of 90 litres (or 10 cases of a dozen bottles) of still wine or 60 litres of sparkling wine – although the controls on this at Channel

ports are increasingly minimal.

A special provisioning trip across the Channel could be financially justified only if there is a particularly large celebration in view. As it happens, cheap champagne is one of the very few bargains to be had in French supermarkets which have been retelling this serious rival to our own elderflower cordial for under FF750 (£5.82) a bottle this year. But it is worth bearing in mind that cheap champagne is just that – a thoroughly reliable detonator of any ill feeling.

The other (drinkable) wines which represent good value if bought in the better (i.e. larger) French supermarkets are basic red

supermarkets, at a price level at which the nearly £1 a bottle UK excise duty makes a real difference. But I have yet to find any cheap white or pink wine in a French supermarket that seemed a good buy. The standard price for very dull Muscadet, for example, is FF19.95 or about £2.30, which is no saving in terms of flavour per penny in comparison with, for example, wines such as Tesco's zesty Australian White or the sumptuously packaged Languedocien Domaine du Bois Chardonnay 1992 at £2.99 until July 17.

There are many other ways of buying wine in France, however. You could buy your own vines,

There may be more bargains in Tesco than in Calais, says Jancis Robinson

bordeaux – which, like champagne, has lost leader status in France – and southern French reds. Those carrying the name of a property usually, although not invariably, taste less industrial than generic examples. It is generally possible to find a serviceable petit chateau claret or a decent Corbières for about FF12 (£1.39) a bottle.

The conventional British line on French supermarkets is that their wines are unthinkably inferior to those on sale in Britain. It is perhaps unpatriotic of me to suggest otherwise but this is an outdated view. They have improved enormously over the last three years or so and many could offer British wine enthusiasts some reasonably good buys in classed growth claret – until sterling's fall from grace.

Today it makes sense to buy only the very cheapest wines in French

through Wineshare on 0306-742164. The Côte de Duras red, white and rosé which is made on your behalf works out at £2.50 per bottle if collected in Boulogne.

Probably best value is to buy direct from a really fine producer if you happen to be on holiday in the region anyway. The annual Guide Hachette des Vins, FF159 (£18.53) available in most French bookshops, is the direct line to ratings of individual wines and telephone numbers. It also includes a directory of *caveaux*, or specialist wine merchants, which are so much rarer across the Channel.

Those travelling through St Malo should visit Le Tassevin in a backstreet near the port for Christian Papi's quite sumptuous red Anjou-Villages 1990, FF35 (£4.07) and Graillet's Crozes-Hermitage 1990, FF33 (£3.17).

But the British wine buyer will probably feel most at home at the trans-Channel branches of British merchants. The Wine Society's near Le Touquet is merely a members' collection point for cases of a restricted but good quality range. The Grape Shop of Clapham's shop in Boulogne carries several hundred different wines, more than 30 per cent of them from the New World and other sources outside France. Although they are buying most French wine direct, they find stocking difficult enough since the average customer is British and buys six cases of wine at a time.

Richard Harvey, on the other hand, has been trying to rescue a high proportion of his stock, imported from England, from the downturn of Cherbourg since his Maison du Vin opened on June 1.

This week The Grape Shop recommended as its best buy Chablis 1991 at FF39 (£4.54) – a minuscule saving indeed on Majestic's current parcel of credible Chablis 1991 at £4.99, and Tesco's slightly leaner example reduced to £4.99.

The last time I scoured French wine shops, in May, I noted a Cahors that looked promising at FF49. A much better buy is Majestic's Cahors, Ch de Quatre 1987 and, even better value, 1988 which they are selling for a laughable £2.99, without even a suggestion of sea sickness.

Le Tassevin, 9 rue du Val, St Servan, 35400 St Malo. Tel 99 82 46 56. The Wine Society, Ryssen, rue Fressin, 62140 Hesdin 33 21 81 61 70. (UK tel: 0438-740222) The Grape Shop, 85-87 rue Victor Hugo, 62200 Boulogne 21 33 92 30 (UK 071-924-3638) La Maison du Vin, 71 ave Carnot, 50100 Cherbourg 33 43 39 79 (UK 0929-480352).



Bring your own drink

Nicholas Lander finds some inspiration from Australia

FASHION has always played a part in the restaurant business – who after all wants to be seen in the wrong restaurant? – but its role today seems disproportionately large. In recent years we have experimented with small bistros, Italian trattorias, and haute cuisine. We have seen attempts to import the French brasserie and enjoyed the vogue for British food cooked by British chefs. Today, we favour big, noisy restaurants – which, acoustically, may have reached their nadir at Quaghiotto's in London – serving gutsy Mediterranean food.

So where to next? This is a question being asked by many restaurateurs and chefs, displaying that mixture of characteristics – part businessman, part gambler – which they need to survive. There is a shift towards Far Eastern cuisines and food which incorporates Thai and Indian spices and techniques from Japan and China. The hotter, more aggressive style of cooking that originates in South America, but is heavily influenced by the Caribbean, is also in vogue and is the rage in the US where the restaurants of Miami, close to Caribbean influences, are capturing the culinary headlines.

But it is possible that the single most dramatic change to British restaurants in the late 1990s may not come from any of these exotic places but

rather from an EC directive which came into force on January 1.

This had, for once, nothing to do with food preparation or hygiene but a great deal to do with the way we buy one of a restaurant's staple commodities – wine. The increase in personal allowances for British shoppers travelling across the Channel has already seen several British wine merchants set up shop along the northern French coast (see the article above by Jancis Robinson).

Merchants are supplying not only those who want to stock up with a few cases of house wine to store in the garage, but also those who are taking advantage of potential savings to reduce the cost of holding a dinner or party in their local UK restaurant. These customers are making their bookings on the condition that they can bring their own wine: many restaurants, unwilling to lose business in what are still difficult trading conditions, are saying yes.

This phenomenon was explained to me by Ros Turner, managing director of David Burns Fine Wines, near Southampton, in Hampshire. She has already lost a number of private clients and is now seeing some of her restaurant trade erode. Those in the south of England may be the first to be affected because of geography but this new shift in wine purchasing habits could produce a wonderful opportunity for res-

taurants to reduce the cost of eating out and win new customers if they are brave enough to embrace it.

For inspiration, British restaurateurs will have to look to Australia where the concept of the BYO – bring your own – restaurant has flourished for years. It exists because of ludicrous licensing laws but has resulted in that happy combination of a restaurant being situated close to a "bottle shop". You take your wine or buy it on the way, hand it over to a waiter to open it, pay the corkage and concentrate on the menu. Everyone has profited.

The restaurants are busy, the domestic wine market has flourished and the cost of eating out has remained relatively low. The system even produced this bizarre statistic – at one stage 90 per cent of wine in Australia was consumed within 30 minutes of purchase. Restaurants would obviously be the first to complain at the disappearance of a potential source of profit but the savings they would make – no stock, no wine lists to be printed, no sommeliers to be trained and no bottles sent back as "corked" – could be substantial.

If they were to embrace this concept wholeheartedly and explain to the public the reasons behind it, their net profits may not be seriously impaired. Nothing in the restaurant business produces as large a profit as a corkage charge. All the

necessary equipment – glasses, corkscrews, decanters – has to be provided anyway and the costs involved, cleaning and polishing glasses, are minimal.

Restaurants will complain that withdrawing their right to choose the wines that they serve with their food may destroy a part of their *raison d'être*. But there would be no stopping any restaurateur offering his wine list alongside the BYO facility or hailing with the nearest off-licence.

Consumers would appreciate the reasons behind the move and understand why restaurants must charge sensible but fair corkage. I would suggest a maximum of £5 per bottle of wine (£10 for champagne) while the restaurant continues its normal policy on spirits and after-dinner drinks.

Fashion and the law may persuade restaurateurs that operating a BYO policy is a new way of attracting extra customers and making eating out less expensive.

Restaurants which already offer a BYO service in London are Adams Café, W12, (081-743-0572), Bedlington Café, W4, (081-994-1965), Diwana Bhel-Poori, N1, (071-387-5859), Le Petit Max, Hampton Wick, (081-877-0236), Phillips, W4, (081-995-5104), Melbourne in Bristol (0272-226996), Pophams in Wiltshire, (0837-83767) and Chinese Home Cooking in Edinburgh (031-2294494) are also BYO.

WHERE there is pasta, there is sauce – and the high street multiples are enjoying booming own-label sales on both counts. Last week, I reported on a blind tasting of supermarket pastas. This week, the spotlight is on pasta sauces. Each company was invited to submit two – whatever they considered to be their own-label best. My tasting panel was the same as before: Anna Del Conte, Josceline Dimbleby, Simon Parkes, Oliver Waley and Henry Dimbleby.

We started in a dubious mood as we all believe in the superiority of home-made sauces. After all, making a pasta sauce takes only minutes and calls for no special culinary skills. Indeed, many of the best can be conjured up in the time it takes to boil the pasta.

The general quality of the sauces submitted for tasting was unimpressive, to say the least. A lot of unpleasant things were said. A sea of tomato and other vegetable-based sauces elicited such comments as: "This has the reconstituted quality of packet soup", "surely this is off?", "disagreeably thick and mushy", "it smells of chlorine", "a disaster", "I cannot recall tasting anything nastier".

The so-called carbonaras provoked outrage because they were total misnomers – variations on a white sauce instead of egg with snippets of fried bacon and an optional splash of cream. "Looks like bechamel and tastes like cardboard boxes", "where is the bacon?", "where is the egg?"

Only two sauces passed the test: "Would you eat this

Cookery/Philippa Davenport

A source of good sauce



neatly when she exclaimed: "I have never come across any sauce from any shop that tasted as home-made as this."

We thought it was a sauce with many potential applications. In fact, arguably, as Anna commented, drained of some of its juice, it might be even better for topping bruschetta than pasta. (Any juice drained off should be saved for adding to soup or a salad dressing, or to drink with a slug of vodka – it is far too good to sluice down the sink!)

One thing that puzzled us was the label instruction to heat the sauce gently and serve it hot. To do so risks robbing it of its lovely freshness. Far better, we thought, to do as we did: put the sauce into a serving bowl, add the cooked pasta and toss quickly to mix before serving. M & S has since amended the wording. The reasoning behind the original instructions undoubtedly harks back to the British penchant for serving a little pasta with our sauce, and the fear that the pasta would, thus overwhelmed, become cold long before it hit the plate, let alone the palate.

It would be easy enough to make a sauce like this at home so far as culinary skill is concerned and no-one could call it time consuming. But where

would you find sufficiently good tomatoes – the key ingredient? M & S buy-in special fruits specifically for making this sauce, variously from France, Italy and Spain, wherever the best wine-ripened plum tomatoes are to be found at any given time. If none are deemed good enough, this line is suspended for the duration. Cooks wanting to make such a sauce at home would probably have to grow their own tomatoes and will the sun to flavour them.

The sauce, as tasted at our sampling, is unhesitatingly to be recommended. But a cautionary footnote must be added. I have found the product to be variable (perhaps unavoidably?). A subsequent purchase had its subtlety and tomatoeyness spoiled by the over-assertive presence of garlic and chilli.

Marks & Spencer's fresh tomato sauce costs £3 per lb. The recommended serving is 1.5 oz per person, which seems to me unnecessarily greedy. The product is made fresh daily and goes on sale for one day only. Sadly it is stocked only by branches that boast a deli counter – currently Marble Arch and Kings Road Chelsea in London and Camberley in Surrey. More are in the pipeline but not many.

Finding this sauce among so much dross made our hearts leap. Such quality deserves to be encouraged. I would change my tune about buying sauces if more were this good. How pleasing it would be if supermarkets developed all their recipe products to match the best of home-made, as has been done in this case.

Next week: home-made sauces

Gardening / Robin Lane Fox

Where hefty buyers lurk



The lure of Hampton Court: one difference from Chelsea is that almost anything is for sale

the staging has none of Chelsea's scale or massive impression. The atmosphere is more like a country show with country extras. The supreme difference is that almost anything is for sale at Hampton Court.

As I look round my garden this weekend, I realise what good things have come back to it from the past two Hampton

Courts. Everything is pot-grown and will transplant easily as soon as it rains: the great advantage is that you can see it and buy it on the spot.

Nonetheless, this is England and gardening is part of the countryside. At a summer show, the countryside means heritage and, in this, the English have no rivals at

enlarging the definition. At an English summer horse show, you can buy sheepskin coats, fudge, Range Rovers, barbecues and almost anything except a horse. A few people watch the dressage but many more want the right sort of quilted undergarments.

At Hampton Court, a few people may share my interest

record as the entire thing had been pre-sold.

Next door, Amdega of Dartington (0325-468 522) can do you a simpler model for £30,000 – excluding blinds, flooring and installation. I think I prefer it to the Gothic – but did not the two exhibits look familiar? Their exhibitors confessed that both had been given a pre-run at Chelsea, where Oak

Leaf had found its buyer.

Gardeners who look at glass-houses should not be the people to throw stones, but while you cope with the success of Hampton Court, and negotiate stalls with names like Doughcraft, remember that among the kniwear with floral influence and the hand-painted but-tons, there will be at least one hefty buyer at work.

THE SKY has been as blue as the best delphiniums: the cut-price pottery is out in force; and today and tomorrow, starting at 10 am, you can combine two of England's favourite weekend pastimes by trying to head for the Hampton Court flower show.

This event is in only its fourth year but already it is a popular hit and, if you can reach it, it allows you to look at flowers and shop simultaneously. But shopping and flower-gazing depend on two major hazards: the M25 and British Rail's Network South-East. On press day, I escaped both, but I must warn you that the overflow car parks were well filled all down the Twickenham road.

For the first time, the show has come under the management of the Royal Horticultural Society. So have the prices: entry costs £14 an adult and £7 a child between five and

15. An average family must allow £42 for entrance with another £6 for the car park – or at least £20 for the journey on British Rail from central London.

There is also a champagne tent to negotiate. It all made me wonder by the time I had bought a new accessory and I had bought something in straw from the craft village, how were the vendors of good garden plants in the main marquees going to sell anything in quantity.

I soon stopped wondering. Since Wednesday, active planters have been scrambling to hand over fivers for clematis from such exhibitors as the Valley Nurseries, Lincoln, or perennials from Hardy's Cottage Plants, Hampshire.

Like the show itself, Hardy's is a recent arrival which I noted at Chelsea. Its space there was limited by the RHS committee, but Hampton Court has given it room to spread. It is showing anything from white verbascums to the best white-and-red spotted phlox called Omega and a catmint (its idea but not quite mine) of Nepeta Six Hills Giant. The planty people are loving it – after all, there are not so many exhibits based on gardening rather than forestry.

Hampton Court is certainly no Chelsea: nor should it ever become one. Where plants are shown, there are fewer, and

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Cricket/Teresa McLean

Revenge of the Vitamins

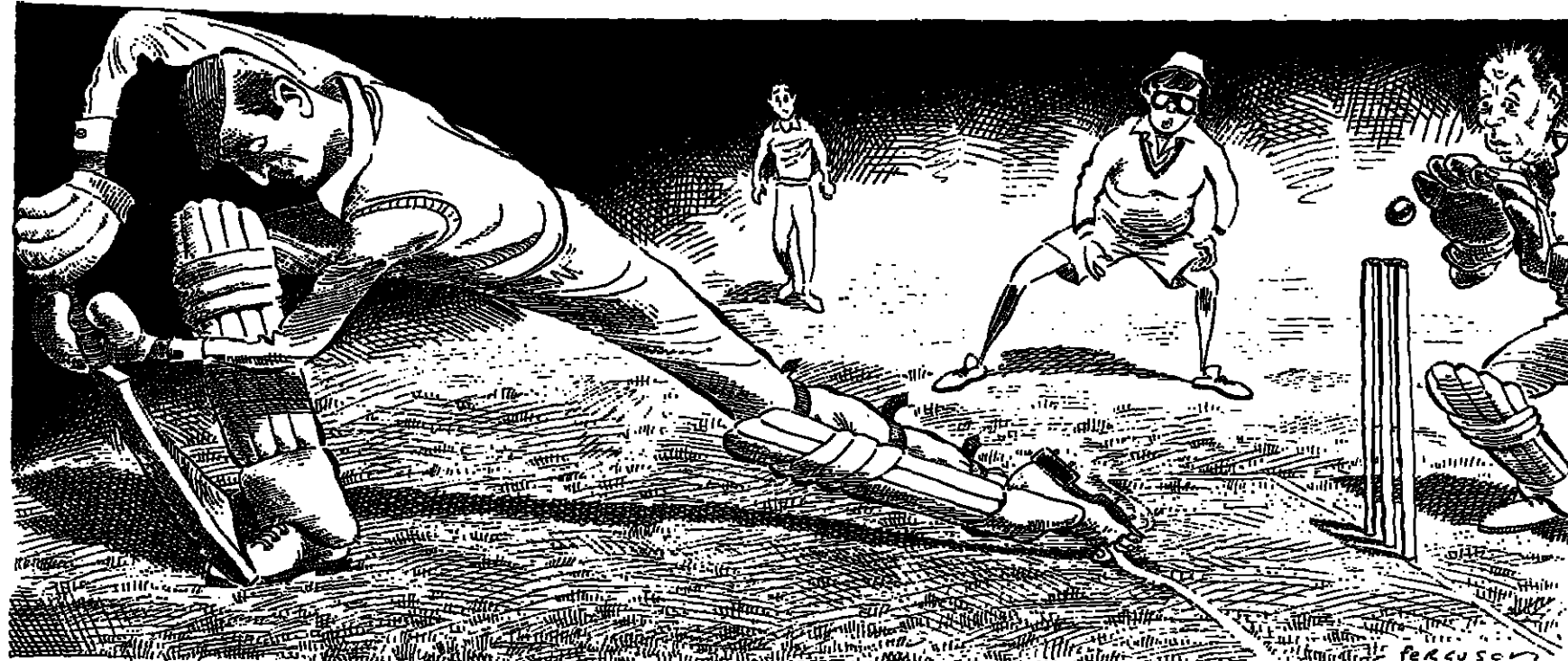
IT WAS my fault. I had been to my local greengrocer's shop every day of the week before the Intellectuals' annual match. Mark, the greengrocer, was our secret weapon. Many of the hour we had spent solving Gooch's problems and planning the Intellectuals' triumph, while I bought my bananas. The trouble was, I forgot to remind him that he was Intellectual batsman-and-bowler-in-chief and he forgot.

The rest of us arrived at the ground for a picnic lunch in the sunshine. Our heroic long-distance contingent did its customary drive across the country, from the Welsh border to East Anglia, driven by Charles, his car frothing with children. Will, an umpire who passed from the playful to the judicial role when his hip joints locked up a few years ago, practised his walking by getting off the train 30 miles away and completing his journey on foot. Even so, he looked well. Both umpires looked well. Will in his shorts, with an air of amiability, Diana in her yellow trousers and pink T-shirt, with an air of majesty.

Our problem was the opposition, the Vitamins. Their air was one of determination. Sunshine and noble umpires shone in the shadow of Vitamin ambition. They had lost last year and they must win this year.

With characteristic stoicism, we watched an ample enemy batsman make an ample half-century before retiring, to our forlorn applause. Much though I dislike the ruthless professionalism of modern cricket, I felt a twinge of deeper dislike for the cavalier kindness I thought I loved. It is so humiliating. Anyone who has been the victim of an opponent's retirement will understand the misery that accompanies the relief. With the Vitamins at 116 for 0 after 16 overs, I knew that the Intellectuals played for love of the game, not victory.

Everyone in our team bowled three overs, except a lawyer, Martyn, who donned the gloves without complaint when we found we had no-one else. Only one word describes our bowling throughout this match: unpredictable.



Our young West Indian opening bowler sent down some good deliveries, including plenty that troubled the keeper, but few that troubled the batsmen. Our New Zealand new recruit from the heights of cricket literature, Graeme, assumed greengrocer Mark's position as top performer. His fast medium pace nearly, so nearly, gave us the early break-through we needed.

What Graeme gave us instead of wickets was style. He arrived in an open car with his girlfriend, who reclined gracefully while we toiled through the agreed 30 overs, limiting the opposition to 233 for 4. My off-breaks were grotesque, adorned only by their originality. My husband's leg-breaks, formal in approach, modest in pace, saved our bowling honour by hitting the stumps. But only once.

It was a dead pitch, no good for bowlers. No good for our bowlers, anyway. More disconcertingly, it appeared to be a dead captain in command of the Vitamins. He had an off-white face, presumably plastered with white grease-paint, which gazed at us from underneath an overhanging hat. His pale limbs were shored in a flapping shirt and long-legged shorts. He found running a struggle,

wheeling and staggering, not sharing his team's grim preference for boundaries. Tea is an under-rated meal. I am the first to pass it off with a quick cupful, but oppressed by our target of more than seven an over and our modest ability, I sank happily into an iced bottle of Not. I hasten to add, that the wine was the reason I batted badly. It was because I was born a tonker.

After a deep-rooted tea, with defeat impending and grinning Vitamins clustered round the bat, I could not resist a swipe, which let the ball remove the batsman said when his wife asked whether he had seen the ball that bowled him for a duck: "I heard it." Hounded by those woody rattles, we decided to run for everything we could while we could.

Undaunted by his efforts in the car and in the field, Charles batted powerfully. He hit the ball over the heads of fielders and ran fast. His run-out was tragic because he was hitting the ball well, even when it was delivered disdainfully slowly.

The run-out had an element of the operative about it, involving a mid-run re-arrangement between the batsman and conference between bowler, keeper and stray fielders. Charles expired like a doom-laden hero. My husband's run-out was more wistful, as he attempted a possible but not probable run disliking by Graeme at the other end. Graeme kept his running safe, his bat straight and his style intact. He topped scored for the Intellectuals and his dismissal had an exotic, almost a continental flavour: caught and bowled De Luca 34.

A little further down the order, Godfrey left the university manuscripts and supported the intellectual life with his bat. Brave, quiet and dignified, he delighted his disheartened team, huddled on the pavilion steps, with the correctness of his shots. Between shots, he leaned lightly on his bat.

Umpire Diana stood serene and still, above daft appeals for things like obstructing the light. A regal presence. When Graeme was finally bowled for 27, there was only the divine to talk to the regal. Our Dominican friar, David, ran out of partners. Or rather, left them behind. He preferred his hitting to running, smiting even the immense Vitamin bowler unused to punishment. With God on his side, David finished the game not out on a defeated team and joined us for dinner, to plot next year's plays. In the dark of night we sank to the most demonic of all plays: practice.

Golf/Jock Howard

Captains of contrast

SINCE 1983, when Europe lost the Ryder Cup to the US by a single point in Florida, there has never been more than a blade of grass between the two sides. What Europe have lacked in depth they have made up for in spirit and astute captaincy.

Tony Jacklin, who captained the side from 1983 to 1989, was responsible for much of this resurgence. He realised that if things were to change on the course, things off it had to change too.

"Before I took the job," says Jacklin, "I demanded that certain conditions were met. You wouldn't believe how far behind the Americans we were

ably only ever had one (Seve Ballesteros).

A large part of the captain's work is dealing with the press. Gallacher admits that he does not enjoy this side of his job, and is deeply suspicious of the media. Jacklin loves dealing with journalists, and they love him, because he says what he thinks, and what he thinks is usually quotable.

"I think there is a case for not having a captain as we have one today," says Jacklin. "It might be more appropriate to have a manager, much as they do in cricket, who would be entirely press-related. The captain would play, and deal with what happens on the course."

The job of captain is certainly less important now that Gallacher is the incumbent. He is shy and introverted, a private, family man. He does not seem, on the outside anyway, to be a great motivator. By his own admission, he took a considerable time before deciding that he wanted to take the job.

Gallacher said in February that he would be happy to have a rule which made him pick the top 12 on the money list, as he found selecting three wild card players an awkward task. Jacklin says he would have liked, when captain, to have had all 12 picks himself, so confident was he of picking the right players.

Gallacher was not to blame for events at Kiawah Island two years ago. He was not to know that Nick Faldo and Ian Woosnam would play well below - rather than under - par.

Gallacher must assert himself more than he did two years ago. Then, controversy seemed to follow him at every turn. His defence was to run from the spotlight. He became moody and monosyllabic, in contrast to the ever-approachable Dave Stockton. As a result, people suggested that Seve was more in charge of the European team than Gallacher was.

Seve may not even make the team this time, but whether he does or not, Gallacher must be convincing if Europe are to recapture the Cup at the Belfry in September.

EVERY big sporting event needs a little hype, preferably with a domestic angle. For tomorrow's British Grand Prix at Silverstone the angle is: can Damon Hill edge out his teammate Alain Prost and win. But I fear it is all a sham. Hill may win, but his victory will have more in common with professional wrestling, or an arranged marriage, than high noon on the race track. If he wins, it will be because Prost lets him and the Williams team deem it good public relations at their home grand prix.

Hill has done well. With almost no grand prix experience, and little evidence in his career to suggest that he was a high-flier, he has performed as a competent number two driver should. But no-one should be deceived by the hype into thinking Hill is Nigel Mansell. In anything other than the Williams, a car without peers in Formula One, Hill would look like what he is, a competent midfield runner. But for the F1 authorities, the hype is important. Something is needed to inject life into a tedious season.

One-team domination is by no means unusual in F1. If anything, it tends to be the rule. In 1986 and 1987 it was Williams-Honda. In 1988 and 1989, it was McLaren-Honda. In 1992 and 1993 it has been Williams-Renault. But for the most part the dominant team has fielded two top-line drivers who have slugged it out on the race tracks: first Mansell and Nelson Piquet, then Ayrton Senna and Prost. Riccardo Patrese, Mansell's team-mate in 1991 and 1992, was not in the same league as the Englishman, but he was a serious competitor at least in 1991. Hill is not. The result has been boredom.

The decision of Mansell, the most popular driver in F1 and one of its two most charismatic performers, to join the IndyCar series has left a hole. Only three virtuoso races by Senna, the other charismatic driver, has kept the season and the formula alive.

The most dramatic feature of tomorrow's race could be the size of the crowd. Ever since Mansell won his first grand prix on British soil at Brands Hatch in 1985, there has been a love affair between the crowd and the driver. They came in their tens of thousands and Mansell rewarded them with some great drives. But Mansell has gone and the race is

HOW DOES one describe the five-door Subaru Impreza? It is about the size of a Ford Escort and looks like a cross between a saloon and an estate. But it is really a hardtop coupe with no centre pillar (B-post, in motor industry-speak) and a load-carrying bundle behind the rear window. At least, it does into the front ones, but the hardtop coupe effect is spoiled by rear side windows that retract only partly because the wheel arch gets in the way.

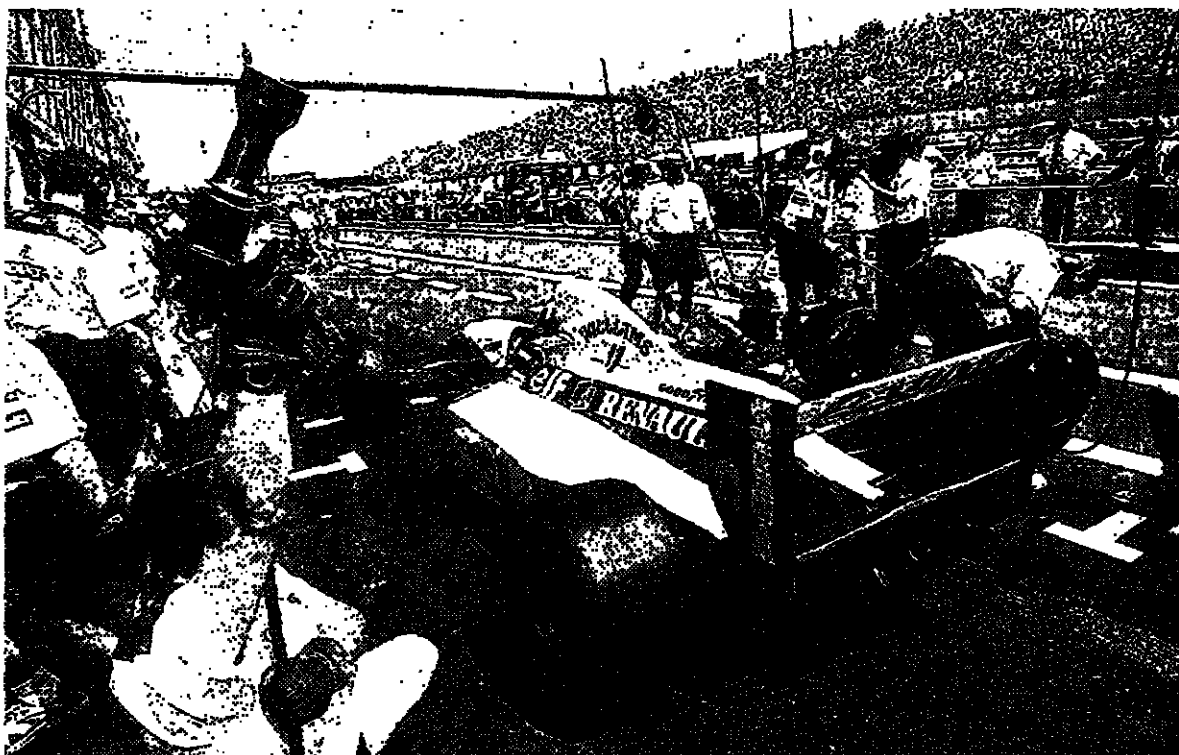
Go round to the back and lift the curvy tailgate. The fair-sized boot turns into an estate's load space when the rear seat backrests fold forward. As the cushion does not swing up, the floor is not flat. Uniquely for road-going 4x4s, Subarus come with either five-speed manual or four-speed automatic transmission. Those with manual gears have a two-range box giving 10 speeds forward and two in reverse.

NEXT YEAR'S British international motor show will be held once again at the National Exhibition Centre near Birmingham. Public days will be October 23-30, which will catch the half-term school holidays. This is crucial if there is to be a good attendance at what is being promoted as a family occasion. If you are prepared to pay £15 to enter instead of the normal £8, you will be able to call yourself a VIP and go to the preview day on October 21.

The last show, in October 1992,

Motor Racing/Martin Jacques

Why Formula One is running on empty



In the pits: the Williams team works on Damon Hill's car. Formula One is struggling to repair its damaged image

bound to prove an emotional anti-climax. The organisers expect the attendance to be down by 20 per cent.

That, I suspect, is a serious underestimate. There is no Mansell. We are halfway through a numbingly boring season. And the crowds have been well down at the previous European rounds, in at least three cases by as much as half. F1 is in crisis. This was already evident last season. There were rumours that television, the key to the success of F1, was unhappy with the spectacle. Viewing figures were falling. Mansell's flight has

brought the matter to a head.

The rumblings of discontent have found a focus, there is an alternative by which F1 can be measured. It has been found wanting. In IndyCar, the key is entertainment. The technical regulations are designed to equalise the performance of the cars and place the emphasis on driver ability. If racing gets a bit professional, then the pace car can always balance things.

The highlight of the motor racing season has been this year's Indianapolis 500: no grand prix could compare with the excitement and openness of

the occasion. But that is not all. In IndyCar there are parade laps before the race when the drivers are introduced to the spectators. The public is free to mingle with the drivers in the paddock. Admission prices are reasonable: a full-day's entertainment at Indianapolis costs a mere \$20 (£13).

The centre of interest has begun to shift. Every IndyCar race is receiving serious coverage in the UK. When the Canadian Grand Prix was held within a few hours of the Milwaukee Indy race last month, the two received almost equal treatment. The viewing

figures for Independent Television's IndyCar coverage are not far behind those for the BBC's grand prix programmes. Brands Hatch is negotiating to bring IndyCar to Europe for the first time in September 1994. If it is successful, and Mansell is still in IndyCar, the crowd will dwarf that at the British Grand Prix next July.

F1's motor racing's governing body, is fighting back. It knows F1 is in crisis and that something must be done. It wants to ban the latest gizmos, such as active suspension, semi-automatic transmission and traction control, which have been the main source of Williams' domination and which it sees as limiting the role of the driver. This is a volte face in the philosophy of F1. Hitherto it has prided itself on being technologically driven. Those days are over. The emphasis in future will be on entertainment. The leading teams, Williams and McLaren, are resisting, but they will lose. Too much is at stake.

But if F1 is to prosper, these changes can only be a beginning. The motor racing authorities, in which Bernie Ecclestone, now vice-president of F1, is the key figure, presided over enormous growth in the popularity of grand prix racing in the 1970s and 1980s. But it was a sport packaged for television. The spectator was largely ignored. Now television companies are having second thoughts and the spectators are staying away.

Grand prix racing is paying the price for ignoring the public. Silverstone this weekend will say it all. The racing will, in all probability, be tedious and boring. The general admission price, at £57, is ridiculous. And the paddock will resemble Fort Knox: the F1 elite and the public are never destined to mix. There has been a welcome decision to hold a parade lap. IndyCar is exerting an influence.

F1 has been slow to recognise the warning signs. Like many sports it remains desperately introverted. Conflicting interests divide it. The top teams cannot see beyond their own advantage. The sport is ill-served by most journalists who lack a wider sense of motor racing's place in the world. At last, however, F1 seems to have woken to the dangers. Banning gizmos is the first step. The interests of spectator and viewer must become paramount. In the meantime, the return of Mansell in 1994 would help.

Motoring/Stuart Marshall

A coupé in disguise

Who needs twin-range, four-wheel drive in a road car? If you have tried re-starting on a steep, wet hill when towing a horse trailer, you will not need to ask. The same goes if you live off the beaten track in an area where snow falls most winters. You will know the safest way to drive down a really slippery slope is to put a 4x4 vehicle in low-range first gear and forget about the brakes.

In normal motoring, my test 1.8-litre manual Impreza went well. It hummed quietly along motorways at a business driver's speeds, rode firmly and flat on country lanes, and parked easily - power steering is standard. So, too, are electric windows and mirrors and other useful things like head-



The Subaru Impreza 1.8 GL. Four-wheel drive and 10 forward gears

lamps with washers and a power-operated levelling system, a tilt steering wheel, and adjustable driver's seat.

Now that the cheapest Audi quattro - admittedly, a 2.3-litre V6 - is listed at £22,500, the Impreza looks remarkably affordable. An entry model, 1.6-litre, dual-range, manual five-door is £12,499, a 1.8-litre 112,999, and a 1.8-litre automatic (which does not have dual-range transmission) £13,999.

If you want the flat-four engines and all-wheel drive, but not the odd estate-cum-hardtop styling, there are 1.8-litre Impreza four-door saloons at £12,499 (manual) and £13,499 (automatic).

Average fuel consumption of the Imprezas should be around 31-33 mpg (9.1-8.5 l/100km) for the 1.6-litre and 1.8-litre manuals, 30 mpg (9.4 l/100km) for the automatics. I have promised myself another go at one in conditions when having all-wheel drive could make all the difference between completing a journey and getting stuck.

refused to be killed off and, in recent years, has been run jointly by the SMMT and Earl's Court.

Next year, the international show will pay the former Motorfair - which has always encouraged retail sales - a compliment. For the first time, the SMMT will use the National Exhibition Centre Pavilion to stage what is being billed as "the largest motoring retail show in the world." New or used cars will not be on sale - but just about everything else concerned with motoring will.

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broke a tradition of nearly 80 years by linking itself with the Daily Mail Midlands autumn ideal home exhibition: one ticket bought admission to both events. While the combination was not entirely popular, it will be tried again in 1994: the Mail's £2.5m contribution must be a powerful argument.

Despite its imposing title and great

size, the show is really a regional event; most of the public attendance comes from the Midlands. But London - which is where many, if not most, of the car-makers and importers would like the international exhibition to be held - will have its own motor show from October 21-31 this year at Earl's Court. It will not be run in tandem with any other event

but, even more than Birmingham, is pitched at the whole motoring family.

The London motor show, held in the years when there is no international exhibition at Birmingham, started life in the 1980s as Motorfair. At first, there was opposition from the Society of Motor Manufacturers and Traders, which has always operated the "official" show. But it

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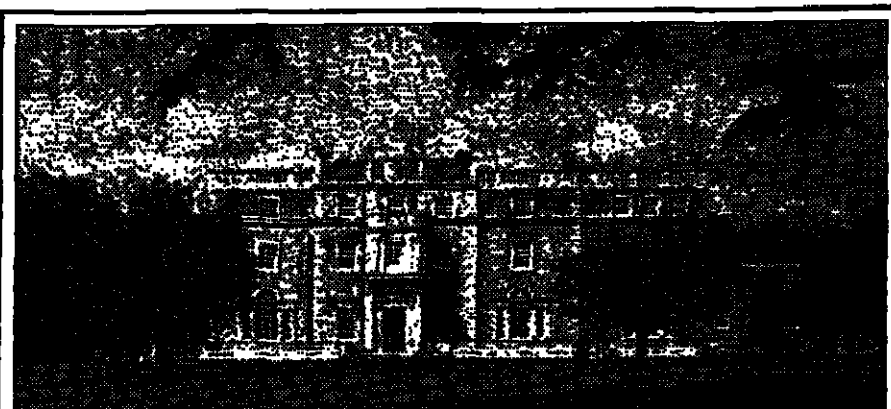
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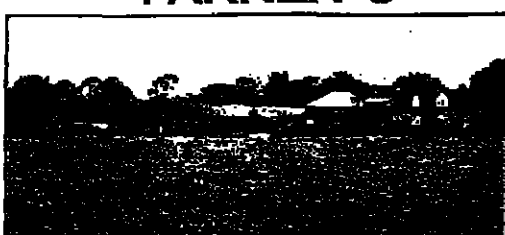
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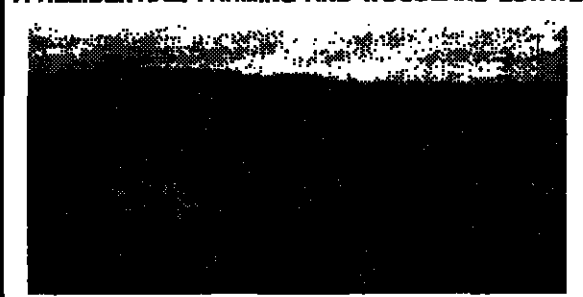
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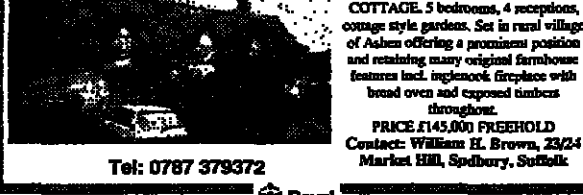
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BOOKS

An artistic slant on urban reality

Anthony Curtis reviews a batch of new interpretations of famous painters and their works

VISITORS TO the Pissarro exhibition at the Royal Academy in London until October 10 will find their interest in it strengthened by perusal of Richard R. Brettell and Joachim Pissarro's *The Impressionist and the City: Pissarro's Series Paintings*. Among other things the volume informs us which paintings were shown in Dallas (where the show opened last year) but not in London and vice versa. Since the artist died the components of each series have been dispersed over many collections.

When he painted his views of Paris, Rouen, Le Havre and Dieppe, Pissarro's intention was to show the motifs in each city under a variety of different circumstances and effects of light. Joachim Pissarro discusses how the notion of making a series of paintings of a city developed within the Impressionist movement - "the multiplication of representations of a given site as its aspects change". This was enthusiastically taken up by Pissarro, who produced these pictures in a burst of creativity in his 60s and early 70s. Before this Pissarro had been exclusively a painter of rural life.

In Pissarro's friend Monet's paintings of city life everything within the frame of the painting merges into a unified whole. In his own there is great differentiation; individual figures of horse-driven carriages and pedestrians stand out. The effect is one of crowded, vital humanity within the urban environment. In politics Pissarro was a radical. These paintings also reflect his sympathy with anarchism.

Pissarro was born in the Virgin

THE IMPRESSIONIST AND THE CITY: PISSARRO'S SERIES PAINTINGS

by Richard R. Brettell and Joachim Pissarro

Yale £35/\$18.95, 230 pages

THE COLLECTED WRITINGS OF ROBERT MOTHERWELL

edited by Stephanie Terenzio

Oxford £35, 325 pages

MARCEL DUCHAMP

by Jacques Caumont and Jennifer Gough-Cooper

Thames & Hudson £45, 320 pages

Islands, the son of a French businessman. He angered his parents, who were orthodox Jews, by having an affair with their gentle maid-servant, whom he married. She bore him six children.

Pissarro and his fellow-Impressionists tried to depict in paint exactly what they saw in the external world. When the American artist Robert Motherwell was a student of philosophy he was greatly influenced by French attitudes to art. That was in the 1940s, when innovative artists in America had turned away from external reality to a "super-reality" to be found by plumbing the depths of consciousness; hence that unsatisfactory term, surrealism.

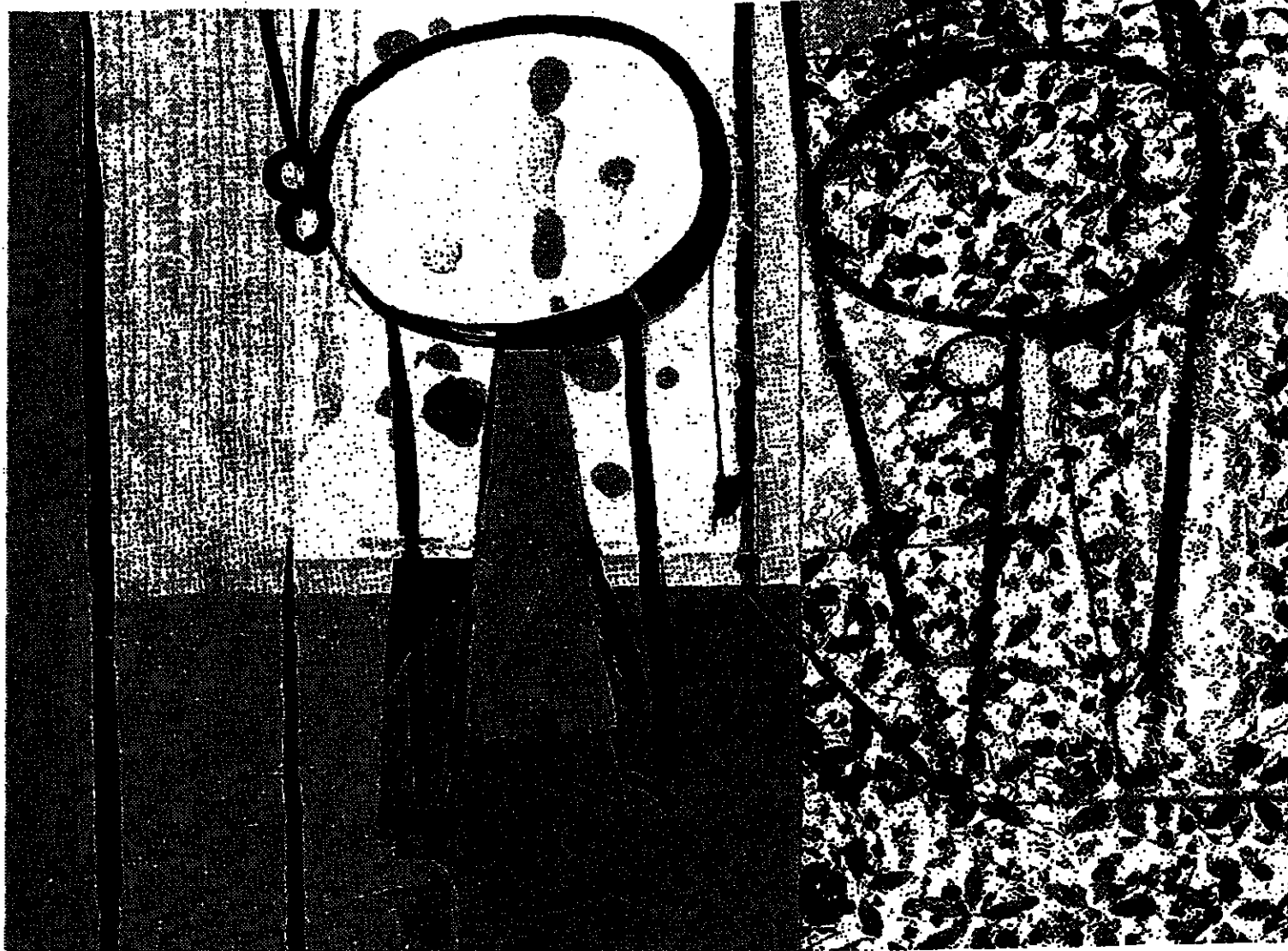
The Collected Writings of Robert Motherwell, edited by Stephanie

Terenzio, reveals how indebted the New York School of painting was to surrealism. Rothko, Kline, De Kooning, Ad Reinhardt: none would have painted the way they did had it not been for French surrealism. They became labelled Abstract Expressionists (a term Motherwell disliked). Piet Mondrian and Marcel Duchamp were living and working in America during the second world war, as were many other foreign artists. It was from contact with Sebastian Matta, the Chilean-born surrealist painter, that Motherwell's own gift for surreal painting was released.

Because of his philosophical training, his gift for articulating the basic principles of the movement, Motherwell was frequently invited to lecture about these revolutionary American painters. All his lectures and published writings have now been put together. Though there is a certain amount of repetition, the collection is well edited and it will become essential for an understanding of Abstract Expressionism.

Motherwell's trademark was his distinctive use of black as a colour, particularly in his "Elegy to the Spanish Republic" paintings, where there are usually two smudged black oval shapes to be seen in the foreground. Bull-fighting is hinted at here: these ovals are designed to remind us of the testes of a bull. If you think they are not unlike the shapes anyone might make while doodling, you would be right. Doodling, or free-association, is serious activity in this kind of work.

Here is Motherwell's description of his own method of work: "I usually begin a picture with a 'doodle',



"Pancho Villa, Dead and Alive", from *The Collected Writings of Robert Motherwell*, edited by Stephanie Terenzio

or with a liquid puddle like a Rorschach image (but not pressed together), or with a line or a dot, or a piece of paper dropped at random on what will be a collage. Then the struggle begins, and endures throughout in a state of anxiety that is ineffable, but obliquely recorded in the inner tensions of the finished canvas".

This account of an approach that relies on the random, the aleatory, is reminiscent of the method of Marcel Duchamp, who progressed from an early form of cubism via surrealism to styles involving "ready-made" objects like bicycle wheels seen in isolation, styles peculiarly his own. His development is plotted in the Duchamp

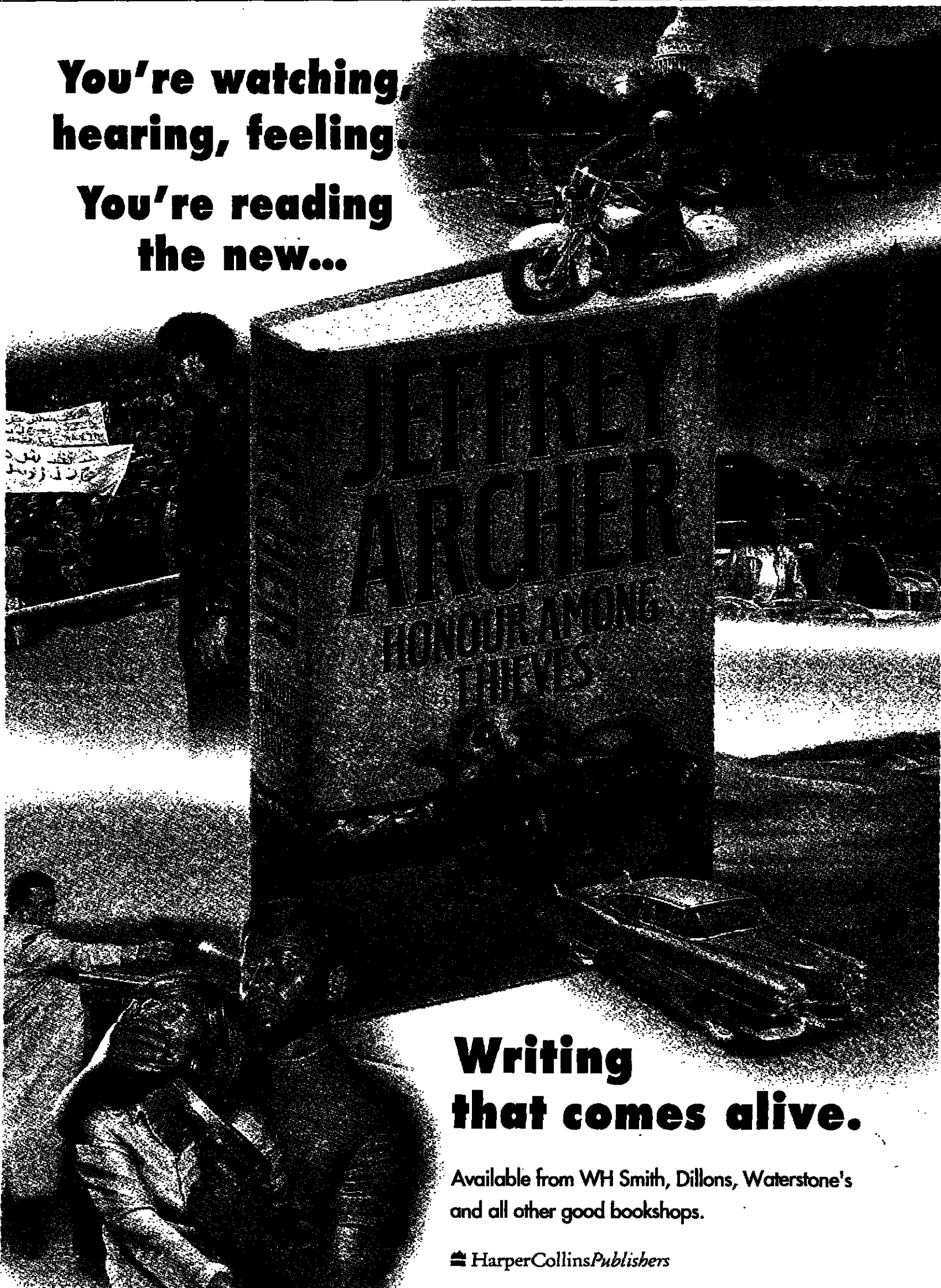
exhibition at the Palazzo Grassi in Venice, open throughout July.

This massive volume on Duchamp, edited by Jacques Caumont and Jennifer Gough-Cooper, is at one and a superbly illustrated catalogue of the exhibition; at the other an account of events in the artist's life organised under astrological signs.

Happenings widely separated in time - say, 1928, 1946, 1950 - are entered one after the other because they occurred under the same zodiacal sign. It is a dotty approach to chronology but one that, I feel, Duchamp would have appreciated: it makes interesting reading for his admirers because much of the material has not been published before.

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Malice, misery and the married classes

Andrew Adonis eavesdrops on the violent reality of aristocratic liaisons

THIS IS the third of Lawrence Stone's volumes on marriage in early modern England. A fascinating collection of case studies of marital discord among the 17th and 18th century upper classes, it follows an analytical study and a volume of case studies of the making of marriages in the period.

However, *Broken Lives* stands on its own, and might best be recommended not as an accompaniment to Stone's earlier tomes but as a follow-up - moving backwards, as it were - to *Lady Chatterley* for those who found their Sunday sex insufficiently explicit or violent. Skip the scholarly introduction, and get straight down to Chapter 1: *Boiler v. Boiler*, the battered wife.

One groom apart, in *Broken Lives* the servants know their place - which is alternately to save their mistresses from being battered to death, to spy on their illicit liaisons the better to extract silences money thereafter, and when the inevitable case for cruelty, adultery, annulment, separation, alimony, or a variable combination of them, reached the ecclesiastical courts (whose records are the main source for the study), to provide the peep-hole

and sheet-stain evidence critical to success or failure. Divorce, of course, was not available until 1857 - the best one could hope for was annulment on grounds of impotence, which again depended heavily on the sheets.

A few chapters in, you become accustomed to the cultural idiosyncrasies of yester-

**BROKEN LIVES:
SEPARATION AND
DIVORCE IN ENGLAND
1660-1857**
by Lawrence Stone
Oxford £16.95, 355 pages

year, such as the total ignorance of the reproductive system and the almost unfettered control of the men over property and children.

If the individuals portrayed here (admittedly they are an exceptional lot, even of their own class in their own day) were not so unrelentingly selfish, one could even sympathise with those trapped in a society that was starting to tie sex to love yet still requiring its social leaders to treat their marriages as business deals, and forbidding them from seeking satisfaction elsewhere.

Yet the sheer violence continues to amaze. And this of the very rich to the very rich.

Take *Dineley v. Dineley*. In 1717 Sir John Dineley, Bart, grandson of a deputy-governor of Bombay whose son secured a baronetcy and a seat in Parliament through marriage to a Worcestershire heiress, in turn married Mary Lawford, the 14-year-old heiress to a Bristol merchant's fortune. Neither was quite typical: he, a second son not expected to inherit, had been sent to sea; she was almost illiterate, which was unusual for one of her station by that time. But in marriage he acted to form, and was sufficiently pukka to be made a local JP.

A man of violent disposition, Sir John was frequently given to kicking Mary out of bed at night and locking her out of the house. When Mary quarrelled with his mistress, he chained her to a post in the garret. She, in turn, grew familiar with Sir Robert Jason, a neighbour, and took to the bottle.

The crunch came when Sir John feared that his wife, off to the races at Chipping Campden, was about to elope with Sir Robert. Again beaten and chained to a post in the garret - and only released, black and blue, when the local gossip became intolerable - Mary sued for separation with alimony on grounds of cruelty. The case ran for nine years, consumed much of their combined fortune, but ended up with Mary in prison and in penury.

Meanwhile, Sir John engaged in a bitter quarrel with his equally violent younger brother Samuel, heir to the Dineley estates under their father's will.

Depriving Samuel of his reversion became his life's passion. By a complicated ruse, requiring the consent of his (now adult) son, whom he had deserted to abject poverty and near death in London, Sir John succeeded in doing so.

Samuel's revenge was to hire some ruffians, abduct Sir John from the streets of Bristol in broad daylight, bundle him into a barge, get the ruffians drunk, and then set them to throttle his brother in his presence - the murder taking about half an hour. Discovered, Samuel was hanged before an enormous crowd, after praying: "Lord do not reward me according to my desserts."

By the end of the book, the notion of just desserts seems far-fetched. Then is the time to turn to the introduction, where Stone makes excellent sense of it all.

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ARTS

Glyndebourne is not the only festival: across Europe many new venues now offer a varied programme of music, opera and social entertainment

IN A LARGE barn the near-capacity family audience sits in silence. Adults occupy rows of temporary plastic seats. Children nestle in the beams. Young and old, more than 1000 people have come to hear the concert. Their attentiveness is all the more remarkable given the music they are hearing - Benjamin Britten's late and concentrated Third String Quartet.

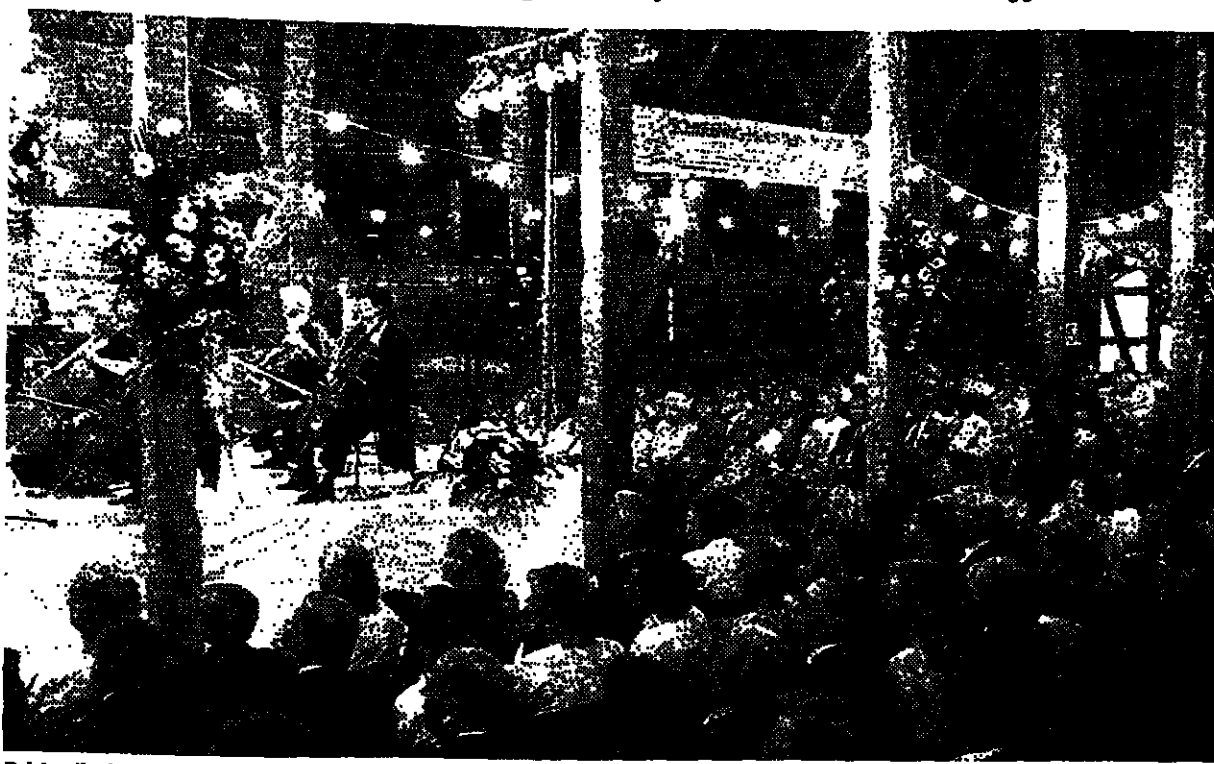
That was the scene last weekend at one of the "musical parties" that are such an attractive feature of the Schleswig Holstein Music Festival. For those whose knowledge of Germany is not all that it might be it may be helpful to place Schleswig Holstein on the map. This is the northernmost part of Germany, bordering on Denmark. The North Sea bounds it to the west, the Baltic to the east. The main cities are Kiel and Lübeck, the nearest cosmopolitan centre is Hamburg.

Now fully finding its feet, the festival itself is seven years old. In a period when so many music festivals were given birth, this one has survived and prospered because it is different. Among its early supporters was Leonard Bernstein, who wanted to promote a European equivalent of Tanglewood. (Keen followers of the Proms may remember him bringing the student Schleswig Holstein Festival Orchestra to London a few years ago.) With its fine student orchestra, its master-classes and so many young faces in the audience, youth is one of the features that has given the festival a distinctive personality.

The other is the way it spreads itself generously across this whole northern reach of the country. As an area for holidays it is favoured by Germans from the South, while foreign tourists are most often Dutch or Scandinavian. To visitors from England the scenery is much like home. Bernstein remarked on the "green countryside, farmland and... lovely houses", which could easily be a description of East Anglia, the area it most closely resembles.

All this is worth mentioning, as the music is constantly on the move, from city cathedral to manor-house, town hall to country barn, and the audience will find that one of the pleasures of the festival is in moving with it. A visitor is likely to discover as much about the countryside while in pursuit of the music, as vice versa.

The all-weekend "musical party" was at Emkendorf, north of Hamburg. In the grounds of the local Schloss, a substantial country-house, with yellow walls and shuttered windows, lies a group of carefully-restored 18th-century barns. The largest is where the concert takes place. There is music for an hour, then an hour's rest, in which parents take their restless children to burn off their energy in the grounds. The refreshments, supplied by sponsoring companies, included ice-cream, beer and (an



Raising the barn roof: one attraction of the Festival is its many varied settings

Music on the move at a barnstorming festival

Richard Fairman roves across the Schleswig Holstein landscape

unlikely choice) champagne. Do not be fooled: Glyndebourne is many miles from what Emkendorf is about.

One could dismiss the exercise as an up-market fun-fair, if the response to the music had not been so wholehearted. Apart from one or two screams from roving two-year-olds, the Arditti Quartet were given an intent hearing. Their performance of Britten's Third Quartet, subtly coloured, poetic, gave an eloquent apology for the piece. Among the other performing groups were a folksy mouth-organ ensemble and the Chamber Pop Quintet Sound-machine. Musical snobs, like critics, can opt out and take a walk round the lake.

The night before, the Arditti had been the guests in a thoroughly adult programme. This was at Wotensen, across country to the south east, but a venue almost identical in charm and layout. Another Schloss, another big barn, where 20th-century music was played. The programme paired two Bartók

quartets with a new quartet by Peter Eötvös, a festival commission. It takes as its theme a selection of letters by Mozart, though the connection seemed tenuous. It was the quartet's sound-world of murmuring glissandos, as though the words of the letters were being hummed or whispered, that constituted its real interest.

Delightful though these countryside venues are, a festival itinerary needs to take in towns or cities as well, if it is to catch the large-scale events with international artists. This has historically been a musical part of Germany. Hamburg was the birthplace of Brahms and Mendelssohn. Lübeck was the home of Buxtehude's renowned organ, no longer surviving unfortunately, although the city, a World Heritage site, is celebrating its 850th anniversary this year amid much fine late medieval architecture.

In Hamburg I caught the Schleswig Holstein Festival Orchestra giving its most prestigious concert of the festival, under Georg Solti. Brahms was on the programme in his home concert-hall;

the Fourth Symphony, robust, confident, no-nonsense music in Solti's hands, which may not be all the symphony had to say when the composer conducted it, although the performance worked well enough as far as it went. The student musicians certainly gave a strong account of themselves, as they had earlier in a trenchant performance of Stravinsky's *Petrushka*.

As an encore Solti and his young orchestra threw in a spectacularly fiery *Die Fledermaus* Overture. It was a stinging evening, during which musicians and audience had been melting in the heat, but as Solti remarked, "they played it so well this afternoon, I felt you had to hear it!" The energy did not fall them. Among the new-born festivals of the 1980s, Schleswig Holstein looks to be a healthy survivor, a music festival with youth on its side.

Schleswig Holstein Festival continues until August 22. Jointly sponsored by Zentis, Die Göttinger Gruppe and Babilien.

Castleward rises above the Troubles

NORMA MAJOR has not often featured in the annals of Northern Irish opera. But when, on her suggestion, the prime minister's party swept into Castleward opera last week - on the evening when Sir Patrick Mayhew, Northern Ireland Secretary, made his politically embarrassing joke about a Belfast bomb explosion that injured 30 people - it marked an unexpected boost to the little-known world of Irish opera.

Dubbed by Sir Patrick as a "Glyndebourne without the pomp", Castle Down has been quietly seeking to make its mark on the operatic map since the mid 1980s. Like other would-be Glyndebournes that have grown up across England, the venue thrives by serving up a popular mixture of pleasant opera and black-tie social graces, staged in the stately home of Castleward, which guests can admire during the dinner interval.

Unlike more pretentious venues, the event has not yet lost its home-made edge - nor the politics that pervade even the arts world in Northern Ireland. The operas are performed in a former barn, where on most nights hefty security men lurk at the stage door, guarding civil servants in the audience. A high profile party like the Majors means that the ornamental gardens are thick with combat troops.

In spite of these more unusual touches, Seamus McGreener's production of Donizetti's *Lucia di Lammermoor* this year is an enjoyable performance. When Castleward first started, nine seasons ago, it used a semi-professional cast to stage three performances of *Cost fan tutte* on a budget of £7000. This year, 17 performances are on offer, using a budget of £140,000 drawn almost entirely from local business sponsorship - a sum which the organisers say allows them to either pick middle-ranking established singers for their principles, or aim for

up-and-coming singers. Wisely, perhaps, they have chosen to focus on the up-and-coming elements, albeit with slightly uneven results.

Lucia di Lammermoor is an opera in which much depends on the power of the soprano, and the Irish-born Nicola Sharkey coped with the part of Lucia commendably. Baritone Gordon Sandison and bass Andrew Hammond also put in two solid performances, as Enrico and Raimondo respectively, providing a solid anchor to the opera and counterbalancing a slight weakness in the tenors, who had been undermined by illness.

Nevertheless, the biggest challenge for the opera remains the staging: the barn-hall where the operas are

a focus on the little-known repertoire of Irish opera, instead of the selection of popular classics that the venue now serves. However, organisers fear that taking this direction could alienate the local audience, as well as the business sponsorship which it has carefully cultivated over the years. "People are not falling over themselves to go to opera in Northern Ireland. It's basically a very conservative audience," says director Seamus McGreener.

As the venue has grown on the back of local business sponsorship - a considerable feat, given the financial climate - finding the funds for redevelopment seems unlikely. Meanwhile, for Castleward's fans it is the very intimacy and enthusiasm that gives the per-



Gordon Sandison and Nicola Sharkey in "Lucia di Lammermoor"

formance its charm. "This is like Glyndebourne in the 1930s or Wexford in the 1950s. With careful nurturing it could grow into something of significance," says Ian Fox, a leading Dublin critic who has been trumpeting Castle Ward's cause south of the border.

Tickets for this year's productions rapidly sold out. And, as a result, of Norma Major, Sir Patrick Mayhew and the ensuing publicity, it seems that competition to get tickets for next year's productions will be even more fierce.

Gillian Tett

Rehabilitation of a wartime voice

Michael Glover reviews the reputation of the poet John Heath-Stubbs

"THE HUNGRY generations tread each other down," writes the English poet John Heath-Stubbs in *Hindsight*, an autobiography published this week to mark his 75th birthday. And of no generation has this been truer than his own, the 1940s, which was attacked with such vehemence by the poets of the 1950s - Robert Conquest, Philip Larkin, Kingsley Amis and others - that only in recent years has it been possible, thanks to the publication of the collected poems of Norman Cameron, George Barker, Heath-Stubbs himself and others, to judge how much truth there was in these allegations.

So what exactly was wrong with the poets of the 1940s? Irresponsibility, for a start. Coming after the politically committed generation of the 1930s, the 1940s poets seem set apart from the world in which they lived, in both subject matter and language. Poet Denise Levertov has called the work of that decade "invertebrate". Apocalyptic, diffusely passion-

ate, intensely metaphorical, it seemed to lack any backbone of reasoned discourse. In their flight from the horrors of war, these neo-romantics plunged headlong into the abyss of themselves and often (like David Gascoyne) crawled out godly.

Two movements in the 1930s contributed to the excesses of the 1940s: surrealism and Freudianism. Freudianism gave poets a justification for regarding poetry as the outpourings of the id; surrealism taught them that the suprarational truths revealed in dreams had a power to heal the divisive wounds of capitalism. Such a potent cocktail was bound to produce muddled-headedness.

All this sybilline frenzy struck the poets of the 1950s as repugnant and inappropriate to the drab realities of post-war Britain. According to Robert Conquest, editor of *New Lines*, one of that decade's most influential anthologies, the poets of the new decade would be much more down-to-earth: rational



John Heath-Stubbs

structures, comprehensible language, and a refusal to submit to "great systems of theoretical constructs or agglomerations of unconscious commands" would be the order of the day.

Heath-Stubbs, at Oxford in the war years and published for the first time early in that

decade, got smeared along with the rest, and his reputation suffered. He has fought to get rid of the taint of neo-romanticism, and to prove himself more than merely "an ageing survivor of an abused/Unfashionable decade".

A Hampshire man, he grew up near the New Forest, and from his earliest years suffered from congenital glaucoma (one eye was removed in the 1950s, the second in the 1970s). After miserable years at Bembridge School on the Isle of Wight he went on to Worcester College for the Blind, and from there to a scholarship at Queen's, Oxford.

In the poetry, his poor eyesight has been more than compensated for by an extraordinary visual and auditory imagination. He has an acute ear for the bewildering variety of bird-song to be heard even in inner London, where he has lived for the past 40 years. As a schoolboy in the 1930s, he was a passionate autodidact, devouring each new volume of

the Thinker's Library as it appeared. Greatly interested in botany and natural history (see, for example, "Botanical Happy Families" in his new collection of poems, *Sweet Apple Earth*, Carcanet, £7.95), he possesses the intellect of a magpie.

His best poetry is Augustan in temper, far removed from the mannered, baroque language of George Barker or Dylan Thomas. He possesses a strong sense of tradition. Those early years in Hampshire gave him a familiarity with the myths surrounding the death of William Rufus at the hands of his man-servant Tyrrel in the New Forest. Did Tyrrel kill the king by accident or design? Or was it a ritual murder involving a witch-cult? The poem "Purkiss" probes that mystery, and also sets it in the context of a popular children's rhyme - English history layered upon English history.

Heath-Stubbs, a great, gangling man, shock of white hair falling forward over his face, cane gripped fiercely in both hands, reads this poem with a powerful sense of the music of the verse, a quality which those poets of the 1960s and their impassioned successors began to help us to forget, such was their concern to represent life as it really is.

■ *Hindsight*, an autobiography, John Heath-Stubbs, Hodder & Stoughton, £25.

Top dealer cashes in his lot

Nicholas Powell on an upcoming bargain basement auction in Paris

THE ELEGANT field of 18th century French furniture is heading for a big shake-up on September 28, when leading Paris specialist Camille Burgi shuts his shop and auctions his entire stock at Drouot sale-rooms without a single reserve price.

Two hundred and fifty lots of top-quality 18th and early 19th century furniture, art objects, paintings, ceramics and sculptures will be put under the hammer by auctioneer Jacques Tajan in one of the biggest sales of its kind which Paris will have seen in a long time. Burgi is selling up less than a year after opening premises at 77 Faubourg Saint Honore -

just opposite the Hotel Bristol and a prime location for an antique dealer. Burgi has 10,000 square feet, four-storey premises complete with a restoration workshop and employs 10 permanent staff. Painting dealer Cotnaghi is across the road, Sotheby's is just up the street and all the biggest names in 18th century French furniture and art work are nearby.

None of the stock will have been seen before in an international saleroom - Burgi is the only important Paris dealer who visits private sellers and salerooms in the provinces to find material. Aged 42, he began his career with an eight-year stint in Paris's flea markets. He spent the next 17 selling two furniture dealers on the Faubourg Saint Honore and bought a gallery on Rue Rossini, near the Drouot sale-rooms. He has another on Rue Richer, in the north of Paris, and also sells from a chateau in the Yonne region, near the capital.

In October, 1992, Burgi joined his former clients on the Faubourg on their terms, furnishing his new headquarters

at No 77 with some of the best pieces he had collected over 20 years. He spent FF3m (£350,000) renovating the premises, believing that an energetic approach and modest profit margins could poke the market into life.

However, the American and European clientele he acquired were rich but penny-pinching. After 11 months of trading only one item a week, earning one-third of what he needed to cover costs and losing a total of FF93m (nearly £1m), Burgi decided last month to throw in the towel.

The failure of such a big dealer could, ironically, prove very damaging to his competitors by breaking prices. Last week, Paris's Tribunal de Commerce gave the go-ahead necessary for Burgi, as a tradesman, to auction his stock, which could raise anything between FF11m and FF33m (£1.2m to £3.5m). No estimates will be published: those used by experts cataloguing Burgi's stock are based on their feeling for the market in its current depressed state. They are often one-third of those which Burgi quotes in his gallery, which

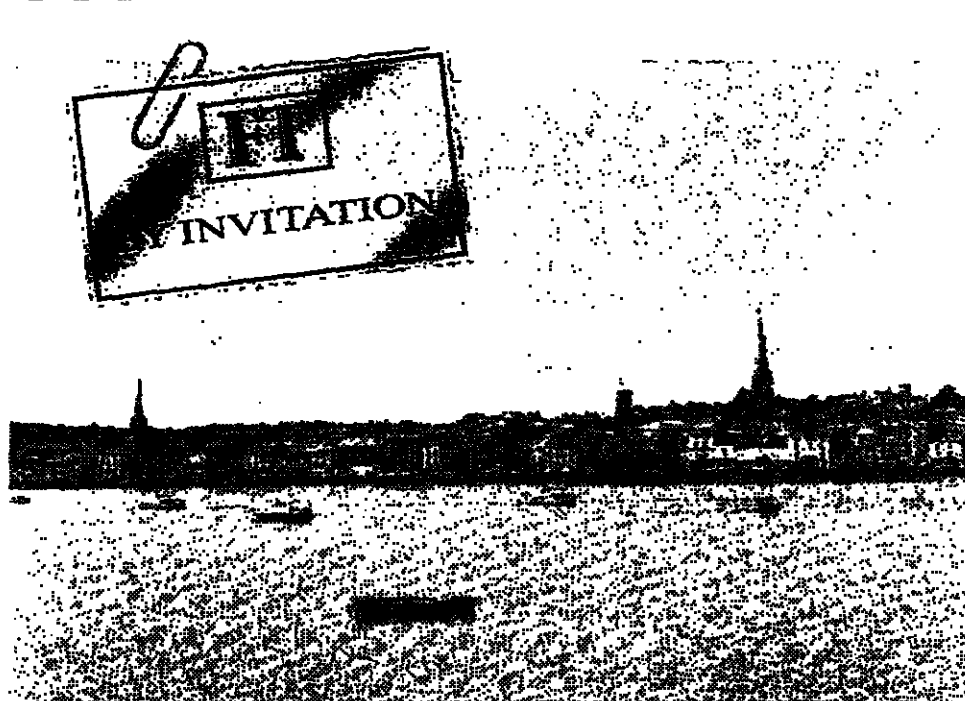
are, in turn, considerably lower than the prices some of his near neighbours ask for similar items.

"I decided that it was not sporting to use reserve prices. Everything must go and a lot of people could make the bargains of their lifetimes. Prices will only depend on the buyers and this sale will fix prices in the field of 18th century furniture for a long time to come. At last, we are going to see what this stuff is really worth on the open market," Burgi said.

The September sale will include a very rare pair of early 19th century English benches in beautifully-moulded mahogany and red leather, a Louis XIV Boulle bookcase and a pair of Louis XVI oak consoles painted in trompe l'oeil marble, similar to a couple the Getty Museum bought in Paris for FF400,000 (£48,000) five years ago. Burgi is also selling a Japanese screen in Coromandel lacquer. It is the type stocked by most of his colleagues on the Faubourg but could sell for a fraction of the normal asking price of around FF300,000 (about £36,000).

PIANO AUCTION
Monday 19 July at 12 noon
A large collection of upright and grand antique and modern pianos, prices ranging from £100-£10,000.
On view preceding:
Thursday 10am-7.30pm
Friday 9am-3pm, Saturday 9am-12.30pm, Sunday 2pm-5pm and morning of sale 9am-12 noon.
Catalogue: £4 by post
Further details from:
10 Salem Road, Bayswater, W2 4DL. Tel: 071 229 9090

ART GALLERIES
SPINK, KING ST, ST JAMES'S, SW1
OPENS 23 June until 23 July. 20th CENTURY BRITISH PAINTINGS & poetry by William Plummer, Mon-Fri, 9.00-5.30, and until 7.30 every Tuesday.
LEVINE GALLERY, 30 Bruton St, W1. 071-493 5107. SUNDAY 20.00-5.00. A Century of the 1820's and 30's. 10 June - 16 July. Mon-Fri 10-5pm.



WEXFORD FESTIVAL OPERA

in the company of the Financial Times

In a Financial Times review we described the Wexford Festival thus: "This remains one of the world's most remarkable festivals - genuinely festive on stage and off... with the combination of unquenchable enthusiasm and sometimes quite thrilling theatrical expertise."

(FT 10th May 1991)

The Festival's objectives are firm and clear - to present unjustly neglected or rarely seen work to the highest international standards and to seek out new and exciting young talent. This October three productions will be performed: Tchaikovsky's *Cheruvichki*, Paisiello's *Barbiere di Siviglia*, and Herold's *Zampa*. All are included in our FT invitation over the last weekend of the month, together with forty other events on the official programme, and many more on the fringe. Together they create the unique festival atmosphere of the small town of Wexford.

We have arranged with Aer Lingus to fly FT readers from any airport served by the airline direct to Dublin, from where we will arrange to take you either by coach, or in your own hire car, to Wexford. There rooms have been reserved at White's Hotel (a few minutes walk from the opera house) for the duration of our suggested four day itinerary, though arrangements can, where possible, be adjusted to fit in with your plans, and required departure airport.

Though we have reserved only a limited number of seats, we anticipate that demand for this FT Invitation, which will include a number of unique features, will be high, so please complete the coupon now, to receive further details.

Suggested Itinerary
Friday 29th October
Depart Heathrow with Aer Lingus at 9.55am. Arrive Dublin at 11.05am.
Coach to Wexford
Evening performance of *Cheruvichki* followed by supper.
Saturday 30th October
Evening performance of *Il Barbiere di Siviglia* preceded by dinner.
Sunday 31st October
Evening performance of *Zampa* preceded by dinner.
Monday 1st November
Depart Dublin 1.15pm. Arrive at Heathrow 2.25pm.

Price: £995
Price includes scheduled air travel by Aer Lingus from Heathrow, coach transfers, lunch on outward transfer, half board accommodation at Whites Hotel (based on sharing a twin room with shower and wc) and opera tickets for three performances.
Single room supplement: £75.
Hire car available from Dublin airport for a supplement of £120 per couple.
Alternative flights (times, dates or departure airport) can be quoted on request. All elements of this invitation are subject to availability: earlier Festival dates may also be available.
This tour is organised on behalf of the Financial Times by J.M.B. Travel Consultants Limited, specialists in opera tours. Addresses supplied by readers in response to this invitation will be retained by The Financial Times Ltd, which is registered under the Data Protection Act 1984.

To: Nigel Pullman, Financial Times, Number One Southwark Bridge, London SE1 9HL. Fax: 071-873 3078.
Please send me full details of the FT invitation to Wexford I wish to fly from Heathrow or (Please state alternative airport)

Title..... Initials..... Surname.....
Address.....
Post Code..... Daytime Tel.....

TELEVISION

SATURDAY

BBC1

7.00 *Cooler Pages*. 7.25 *News*. 7.30 *Phocchia*. 7.50 *The All-New Popeye Show*. 8.10 *The Cat from Hell*. 8.25 *Pottery* and *Cat*. 9.00 *Parade*. 9.10 *West*.

10.05 *Grandstand*. Introduced by Steve Rider from *Stardust*. Including at 11.00 *Cricket: Benson and Hedges Cup*. Lancashire v Derbyshire in the final at Lord's. 1.15 *News*. 1.20 *Motor Racing*: the qualifying rounds of the Grand Prix from Silverstone. 2.05 *Cricket*. 3.00 *Golf*: Final round of the Scottish Open from Gleneagles. 3.55 *Open from the Gurnah*. 4.00 *Golf*.

5.15 *News*. 5.25 *Regional News and Sport*. 5.30 *Tom and Jerry's Greatest Hits*. 5.55 *Jim's Fix It*.

6.30 *The Main Event*. The Coates family from *Strathgry* and the Derby from *Sutton Coldfield* compete. Games show, hosted by Chris Tarrant.

7.00 *Open All Hours*. *Aftermath* plans a new money-making scheme, but his suspicious nature causes it to founder.

7.50 *Birds of a Feather*. Tracey is upset when Daryl asks her to give up a prison visit so his parents can go see him. Comedy, with Linda Robson and Alan Lewis.

8.20 *The House of Eliott*. Jack makes a new acquaintance during the filming of his latest movie. The Eliotts escape financial difficulties when they discover their bank is enforcing extortionately high interest rates.

9.15 *Spender*. Re-run of the first series, starring Jimmy Nail. The uncompromising detective is ordered back to his native Newcastle where he confronts local villains, a bitter ex-wife, and his own shady past. With Paul Greenwood, *Barwick* and *Semmy Johnson*.

10.05 *News and Sport Weather*. 10.25 *Film: Ferris Bueller's Day Off*. A teenage student gets involved in all manner of crazy schemes while playing truant from school. Chaotic comedy, starring Matthew Broderick (1986).

12.05 *Cricket: Benson and Hedges Cup*. Derbyshire v Lancashire. Highlights of the final.

1.05 *Golf: The Scottish Open*. Highlights of the day's play from Gleneagles.

1.45 *Weather*. 1.50 *Close*.

BBC2

6.40 *Open University*.

3.00 *Cricket: The Benson and Hedges Cup*. Derbyshire v Lancashire. Live coverage of the 55-overs-per-side final from Lord's. Commentary by Richie Benaud, Jack Bannister, Ray Illingworth and David Gower. Subsequent programmes may run late.

7.35 *News and Sport Weather*.

7.50 *Scrutiny*. The work of Parliament's Select Committees.

8.20 *Pictures at an Exhibition*. Simon Rattle and the City of Birmingham Symphony Orchestra present an unusual version of Russian composer Mussorgsky's orchestral piece giving a musical impression of an art gallery. They are joined at Symphony Hall by performance artist Norman Pantry, who conveys his visual impressions of the place with brush and paint on the stage. Pantry also reveals the painting techniques he pioneered and employed to critical acclaim during a ballet with the Netherlands Dance Theatre.

9.15 *The Face of Tutankhamun*. Professor Christopher Frayling examines the fascination with the boy king and his treasures that spread across Europe and America in the 1920s, and looks at the subsequent use of Egyptian motifs in contemporary design and fashion. Even the Folies Bergere staged a Nile-themed extravaganza in Paris, and a dance evolved called the Tutankhamun foot. Half a century later, following tours of the 3,500-year-old Egyptian antiquities, the search once again achieves a worldwide recognition and captured the minds of a whole new generation with his magnificent treasures.

10.05 *The Second Helmut: A New Generation*. Schusschen's hippy university friends force Hermann to leave his flat and set up home in Helmut's Berlin. Comedy, starring and Olga face a setback during the filming of Reinhard's script when the crew refuses to take orders (English subtitles).

12.05 *Film: The Seventh Seal*. Ingmar Bergman classic set in the plague-ridden Middle Ages, about a knight who challenges Death to a game of chess. Starring Max von Sydow (1957) (English subtitles).

1.45 *Close*.

LWT

6.00 GMT. 6.25 *Gimme 5*. 11.30 *The ITV Chart Show*. 12.30 *pm Opening Shot*.

1.00 *ITN News Weather*.

1.05 *London Today Weather*.

1.10 *Movies, Games and Videos*. Reviews of latest cinema releases. Super Mario Bros, and Benny and John.

1.40 *Film: The Son of Robin Hood*. The legend of Sherwood Forest lives on when Robin Hood's offspring takes over his life. (1988).

3.05 *The A-Team*.

4.00 *WCW Worldwide Wrestling*. Grappling action in the canvas ring.

4.45 *ITN News Weather*.

5.00 *London Today Weather*.

5.10 *MacGyver*. Richard Dean Anderson as MacGyver investigates shady dealings at a major corporation.

6.00 *Beadie's About*.

6.30 *The Best of Tommy Cooper*.

7.00 *Stars in Their Eyes*. Five contestants impersonate their idols in a bid to charm the voting audience and win a place in the final. Hosted by Matthew Kelly.

7.30 *The Upper Hand*. Caroline intervenes when Jo's teenage growing pains begin to affect the whole household.

8.00 *The Bill*. Sun Hill officers face a homeless man trying to rebuild his life.

8.30 *London's Burning*. Disaster looms at Blackpool when a drug war erupts into violence on a nearby housing estate.

9.30 *International Athletics: The Dream Mile*. Live action from Oslo as the British Stadium hosts one of the showcase events in the international calendar.

9.55 *Victoria Wood: Sold Out*.

10.05 *ITN News Weather*.

11.10 *London Weather*.

11.15 *The Big Fight*. Steve Robinson from Wales makes the first defence of his World Featherweight title against Englishman Sean Murphy at the Cardiff Ice Rink.

12.00 *International Athletics*.

12.30 *The Bill*.

1.30 *Get Stuffed*. ITN News Headlines.

1.35 *New Music*.

2.35 *Get Stuffed*.

2.40 *Night Heat*.

3.40 *Rock Sport*.

3.55 *Coach*.

4.25 *BPM: Night Shift*.

CHANNEL4

6.00 *Early Morning*. 10.00 *Trans World Sport*. 11.00 *Golf: The Scottish Open*. 12.00 *Sumo*. 12.30 *pm Kiosk* (English subtitles).

1.00 *Film: Elephant Boy*. Documentary drama about a native Indian boy who helps a group of British government conservationists find a mythical elephant herd. Sabu stars in his film debut, with Walter Hudd and Allen Jeayes (1957).

2.30 *Adagio*. Short film about a man's obsession with classical music.

3.00 *Racing from York and The Curragh*.

3.05 *Brookside*.

6.30 *Opening Shot*. New series. Arts magazine, featuring a profile of Savon Gargan, an American tap dancing sensation who, at 18-years-old, is already a Broadway star and choreographer of his own young troupe.

7.00 *The World This Week*. Sheena McDonald looks at international affairs. *News Summary*.

8.00 *Tour de France*. Stage seven: Pernoire to Chalon-sur-Saône.

8.30 *Without Walls*. Comedian and writer Paul Whitehouse, better known as DJ Mike Smash, presents an affectionate portrait of Radio One when it reached its 25th anniversary.

9.00 *Traffic*. Fazio is determined to impress Tarja, despite his family's doubt about his choice to live in Karachi. Meanwhile, Jack is trying to head off a threatened strike by customs officials in England. Starring Jamal Shah, Tahir Hussain and Bill Paterson.

10.05 *Drop the Dead Donkey*. Chaos ensues at the British News Awards ceremony, with Henry, for once, being less than happy to be centre stage. Neil Kinnock guest stars in the last of the series of the newsroom comedy.

10.35 *Film: Nikita*. Premiers of the action French thriller about a rebellious young woman who, after committing a murder, is enlisted by the government as an assassin. After four years training and a new identity she makes her first hit - unaware of the complications which await her. Anne Parillaud, Jean-Hughes Anglade and Jeanne Moreau star. Part of the Cinema Cinema season (1993) (English subtitles).

12.45 *Evening Shade*.

1.20 *Book Liberator*.

2.25 *Close*.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 12.30 *Movies, Games and Videos*. 1.05 *Anglia News*. 1.10 *Cartoon Time*. 1.20 *Westcountry*. 2.00 *Westcountry*. 2.05 *Police News*. 2.10 *Westcountry*. 2.15 *Anglia News*. 2.20 *Anglia News*. 2.25 *Anglia News*. 2.30 *Anglia News*. 2.35 *Anglia News*. 2.40 *Anglia News*. 2.45 *Anglia News*. 2.50 *Anglia News*. 2.55 *Anglia News*. 3.00 *Anglia News*. 3.05 *Anglia News*. 3.10 *Anglia News*. 3.15 *Anglia News*. 3.20 *Anglia News*. 3.25 *Anglia News*. 3.30 *Anglia News*. 3.35 *Anglia News*. 3.40 *Anglia News*. 3.45 *Anglia News*. 3.50 *Anglia News*. 3.55 *Anglia News*. 4.00 *Anglia News*. 4.05 *Anglia News*. 4.10 *Anglia News*. 4.15 *Anglia News*. 4.20 *Anglia News*. 4.25 *Anglia News*. 4.30 *Anglia News*. 4.35 *Anglia News*. 4.40 *Anglia News*. 4.45 *Anglia News*. 4.50 *Anglia News*. 4.55 *Anglia News*. 5.00 *Anglia News*. 5.05 *Anglia News*. 5.10 *Anglia News*. 5.15 *Anglia News*. 5.20 *Anglia News*. 5.25 *Anglia News*. 5.30 *Anglia News*. 5.35 *Anglia News*. 5.40 *Anglia 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DOUGLAS Hurd is a man with a keen sense of history, so I imagine that he is aware of the historical echoes resonating around his current visit to Beijing. It is 200 years, almost to the month, since the first attempt by the British government to establish relations with China.

While Hurd was meeting only his opposite number, the Chinese foreign minister, Qian Qichen, his predecessor of 1793, Lord Macartney, sought nothing less than an audience with the emperor, the 83-year-old Qianlong. Macartney wished to open China to British trade, and to establish a British embassy in the Celestial Kingdom. Hurd merely aspires to smooth over the difficulties in negotiating the condition in which Britain hands Hong Kong back to China.

Kow-towing to the Chinese

Dominic Lawson on the historical context of Douglas Hurd's visit to Beijing

Macartney had a much bigger incentive than Hurd will ever be given for diplomatic breakthrough. King George III had promised him an earldom if the mission was a success. Macartney failed, because he omitted to do something which the British foreign office has since learnt well.

He refused to kowtow to the emperor. The kowtow, as Qianlong's mandarins attempted to teach the British emissary, involved kneeling and prostrating before the emperor, not once but nine times. Macartney proposed that he should treat the emperor as he would his own sovereign: stoop on one knee and kiss hands. This

suggestion outraged the court of the Manchu emperor. In particular, the idea that anyone should dare to touch Qianlong was blasphemous. Macartney believed he was representing a sovereign of similar stature to the Chinese ruler. Indeed, in terms of geographical extent if not population, the British empire was greater than China's. What Macartney failed to understand was that the Manchu court considered China, the Middle Kingdom, the only true sovereign power on earth; the emperor was the earth's divinely appointed ruler. Any other potentate could aspire only to the status of vassal. Macartney and the other 700 members of the British

delegation, were "paying tribute" to their true ruler.

So when Macartney referred to George III as Qianlong's "friend and brother," the Chinese Emperor told his mandarins that this was "unpardonable nonsense." Macartney finally left Chinese waters in 1794, angry and disillusioned, although he was fortunate, perhaps, not to have experienced the fate of the first Portuguese ambassador to China, who had died in a Chinese prison, having been convicted of "disrespect for customs."

By 1839, nothing had changed. When the Chinese finally stirred themselves to impound opium which the British were attempting

to export to China, the mandarin responsible, governor-general Lin Tse-hsu, wrote to Queen Victoria: "Honourable chieftainness - We have heard that in your honourable barbarian country the people are not permitted to inhale the drug. How can your seeking profit by exposing others to its malefic power be reconciled with the decrees of heaven? You should immediately have the plant picked up by the very roots..."

Then not only will the people of the Celestial Kingdom be delivered from an intolerable evil, but your own barbarian subjects will be safeguarded against temptation. On receipt of this letter let your reply

be speedy, advising us of the measures you propose to adopt. Do not evade or procrastinate. Earnestly reflect hereon. Earnestly obey. And then, displaying a devout sense of duty and a clear apprehension of celestial principles, you will have the approbation of the great sages, and Heaven will ward away from you all calamities."

Lord Palmerston kept this corker of a letter from Queen Victoria. Within two years, however, the Manchu empire got a response. The emperor's summer palace was sacked by a British force and Britain seized Hong Kong as a base for the export of opium into China.

Now Hurd, barbarian emissary of honourable chieftainness Elizabeth II, is in Beijing trying to hand Hong Kong back in a manner acceptable to the court of Deng Xiaoping. I hope he has packed his knee pads.

■ Dominic Lawson is editor of *The Spectator*.

Order out of chaos

Michael Thompson-Noel



I WAS sitting at my screen this week, fiddling through the message basket, when one of the corporate elders stole up behind me and hovered at my elbow. I could tell he was an elder

because he wore a grey suit and tie and a pair of black spectacles. His expression was churchy. He said he had something for me, and handed me an envelope that contained a copy of a new book, the *Financial Times Style Guide*.

He said: This is the new style book. You are the first person to receive one because you are in the vanguard, as it were, or possibly the van, of our core target audience, if you will pardon the solism.

I said: What is a solism?

He said: Oh, very funny. Seriously, Michael, there are those of us who feel that if we can get you to read it, to look upon it fondly, not perhaps, follow it down all of its tributaries but at least meander through it, when commitments permit, then our struggle is half-won. Your help is essential *pour encourager les autres*.

I said: Les enfants?

He said: Exactly. Junior members of staff. The raw and the impressionable. They must read *Hawks & Handsaws* sometimes and wonder, topsy-turvy land. Willfulness and wickedness. Fantasy and worse. Sentences starting *And*. Sentences without verbs. Sentences and paragraphs without anything whatsoever. Tricky experimentalism, at least in FT terms.

I said: How will the Style Guide help me?

He said: By creating order out of chaos. It is on the side of writers. It states, at the outset, as a caution to sub-editors: "One result of the pap-

HAWKS & HANDSAWS

erless office... is that it is all too easy to force stories into a sort of uniformity of style, removing any individuality and elegance they might have possessed. Good writing should be recognised - and left as it is." Beyond that, Michael, it seeks to encourage writers to write accurately and clearly. It highlights recurring errors and contains glossaries of financial, scientific and technical terms. It is a useful and powerful tool.

Clarity is essential. Let me give you an example. Under *betting odds*, it says that in a sentence such as *odds were quoted of 3-1 on John Smith becoming the next leader of the Labour party*, the *on* can cause confusion. Odds of 3-1 are really 1-2, ie you place a bet of £2 and get back £1 plus the stake if you win. With odds of 2-1 (against), your £2 bet will recoup £4 plus the stake. It is therefore important to make the precise odds clear: 1-2 (on) or 2-1 (against).

I said: I am afraid that isn't true. You have forgotten betting tax, which is 10 per cent of winnings and stake. At 1-2 you would pay 30p tax and get back £2.70; at 2-1 you would pay 60p tax and get back £3.40.

He said: Do not quibble. More important than betting odds is our campaign against clichés and tired language. We sampled a year's issues of the FT and found seven *villains of the piece*, nine people who *hammered* up something, 20 who put something *up for grabs*, 28 who found it *crystal clear*, 37 who went back to *square one*, 181 who played a *key role*, 86 appearances at *this moment in time*, 145 who saw a *green light*, 135 who were *beleaguered*, and 33 who *sent shock waves* through something; 31 were *right-tipped*, 27 events surprised the City though only four *shocked it*, and 20 people had played a *waiting game*, as 45 were quick to point out.

Further analysis turned up 97 *bonanzas*, 910 *booms*, 223 *bottom lines*, 418 *breakthroughs*, 87 *crackdowns*, 6,472 *crises*, 293 *crackdowns*, 148 *cutbacks*, 269 *elites*, 853 *giant*, 1,889 *run-ups* and 5,122 *problems*. All we are asking you to do, Michael, is read it.

And then he whispered away, his grey form merging into the grey corporate decor. So I read it. And enjoyed it. It is a considerably useful tool. You can buy it from the FT for £11, (p&p included). Here are four snippets:

● *Plane* is used to shave wood: what you fly in is an *aircraft*, *jet*, *airliner*, *helicopter*, etc.

● *Eponymous*. Many readers will not know what it means. Avoid it.

● *Explicite*. The FT has no strict policy. However, gratuitous use is discouraged. The word *wanker* has appeared only once in the FT; it was a misprint for *banker*.

● *Blobs*. An average issue of the FT contains 30-40 blobs. Think carefully about whether the blob has any useful function.

HERE IS a toy panda for sale in the lobby, a baby gorilla and a cuddly fruit-bat. The garden outside has been allowed to grow wild - to the vexation of neighbours.

The office in the Swiss commuter village of Glérolle, mid-way between Geneva and Lausanne, is the innocent-looking habitat of the international secretariat of the World Wide Fund for Nature. Inside, the fur has been flying.

A series of revelations and criticisms over the past five years have clouded the reputation of the world's biggest wildlife charity. Tired of the battle, Charles de Haes, director-general of the WWF, is stepping down. In his place the trustees and their president the Duke of Edinburgh have chosen his deputy, Dr Claude Martin, a Swiss biologist.

The conservation movement is a political jungle. Under de Haes, a businessman originally seconded from Rothmans, the South African tobacco company, the WWF has taken a pragmatic rather than purist line: it negotiates with unpopular Third World governments and accepts money from industry and official aid agencies.

But it has also been accused of wasting money, for example on an unsuccessful panda-breeding project in China. There have been rows with national organisations and the US branch withheld funds.

In the late 1980s a senior WWF official was involved in a freelance operation in which British mercenaries, funded by former WWF president Prince Bernhard of the Netherlands, were supposed to infiltrate the rhino-horn smugglers. A cull of the rare Peruvian vicuña, agreed by the WWF, turned out to have no scientific justification and the director-general was accused of negotiating for the rifles.

Dr Martin seems more the tree-hugging type.

Although he inherits a salary reported to be £100,000 a year and is proficient in the conservationist jargon - in three languages, moreover - he has also worked in the field, which makes him popular with the staff.

He separates his domestic rubbish, drives a seven-year-old Renault and though living only 12 minutes from the office takes the train in order to conserve the planet's natural resources.

I asked him if he would get a limousine when he takes over in October. He found it funny. "A very long black one, like one of these American things that never stop?", he laughed. "Great!"

When I asked what changes he would be making, he retreated into bureaucratic imprecision. He mentioned decentralisation, keeping the family of national WWF bodies on the same track, scrutinising the value of aid agency money, and "the need to focus resources." For as his first love and he will accelerate the WWF's shift of emphasis away from furry animals towards their habitats and the needs of their human occupants.

In 1991-92, the WWF's total income recovered to over \$Fr50bn (£22.10bn), but legacies and individual donations more than halved, falling for the second year running. I suggested that the WWF was also losing the war to save the animals for whose survival people give money. The panda, for instance...

"But look what happened in China," he replied. "China does not consist only of pandas. It is a huge country of great biodiversity. The panda for us, besides being our emblem, was a way to become active there. Because we had access there is a tremendous environmen-



Claude Martin, next director of the World Wide Fund for Nature, says conservation is an ethical matter

tal debate in China today."

So it was worth it even if the panda disappears from the wild? "It was definitely worth embarking on. A species is very often a point of entry into a wider conservation debate."

Even if that species doesn't survive? "Even if the status of a species gets worse and worse."

He claimed the 30-year-old project to save the Bengal tiger had been a success, becoming a forest conservation programme to help many other species besides the tiger, whose numbers had doubled in 20 years.

Species have been dying out for millions of years, I said. Is there any reason apart from sentiment why we should bother to preserve the ones close to extinction?

"You know, this question is often posed to us. I think a lot of people have confused two things. There have always been extinction rates but what we are experiencing now is a much more man-induced change in biodiversity."

"Biodiversity", like "sustainable development", is a big buzz word in the conservation movement. It is often employed to suggest that somewhere in the Brazilian jungle there lurks a cure for cancer. I

suggested that in a world full of laboratory medicines it was a weak argument for saving the rainforest.

"I agree with you. For two reasons: people down there (in the rainforest) would not preserve it for the sake of finding some strange plant. Secondly, it falls flat on emotional grounds. Most people want to preserve tropical forest because it means something to them, because it has a value, an ethical value, not

for some utilitarian possibility."

But what is the real difference between human pressure and a giant meteorite wiping out the dinosaurs?

"In an evolutionary process one species normally is replaced by another. If you have artificial destruction, like burning a tropical forest, everything goes. This is really the threat to biodiversity worldwide, that there might be a much faster breakdown not just of species numbers, but whole ecosystems. What happens if the

marine eco-system breaks down?"

Our children are environmental militants, I said. You have been brainwashing them and they give you money. Shouldn't you be teaching them about birth control, not saving tigers and pandas?

"We are not the International Planned Parenthood Federation. On the other hand we are making the link quite clearly to population numbers", Martin replied. Family

live in forests. They live in slums on the edge of cities, or they are migrating to cities.

"Ninety per cent of the Indian population is rural. Yours is very much the perception of a tourist who sees Delhi and Bombay. The majority of the African population is rural."

Aren't you trying to stop the evolutionary clock and at the same time arrest what the Third World sees as development - factories, houses, cities?

"We are not against that. It's wrong to say we're trying to halt evolution or that we want to preserve the world as a huge museum."

I asked Martin why, if local people's interests were important, the WWF had supported the ban on the ivory trade. He said the decision was practical not theological. Few African countries could control the culling of their elephants.

Talking to local people about land management is one thing, I said, but persuading the Chinese not to buy tigers' penises or the Japanese not to kill whales is another.

"This is the linchpin of the whole ivory debate. You can't possibly talk to every Chinese and convince him with education programmes."

The only hope was to persuade governments: Japan had been per-

planning did not work unless people had stable livelihoods, which in turn depended on managing their resources.

"I studied forest conservation in west Africa. You start to realise this layer of vegetation is not just a kind of living space or a place where people can hunt and gather, it is far more. It is a part of their culture. It becomes equivalent to social stability in their whole community. This is extremely interesting."

I am sure it is interesting, I said, but the truth is most people don't

As They Say in Europe/James Morgan

Budapest-sur-Seine

SUDDENLY, people are talking about their holidays. Suddenly, the thought struck me that at every destination will be a disappointment.

This idea germinated while watching the recent British television series *Maigret* where the eponymous detective pursued malefactors round Paris and, sometimes, France.

In order to obtain that 1950s' feeling, it was shot in Hungary. The last time *Brikons* recreated Simeon's hero they wisely ensured all outdoor scenes took place on foggy winter nights.

Today, however, verisimilitude has to take more sophisticated forms, so on this occasion we were given a peep of the broad sweep of the Danube, which masqueraded as the Seine, while the 19th century Gothic parliament will have been taken for Notre Dame only by the untutored or the drunk.

In the old days they used west European settings to recreate communist, or even Nazi-occupied, Europe. I have seen Wandsworth town hall give a passable

performance as the headquarters of the East German communist party and I think, once, the KGB.

Dundee gained critical acclaim for its role as Moscow in *An Englishman Abroad*. Liverpool has starred as Leningrad and, in an inspired piece of casting Bath, or maybe Cheltenham, took the part of 1939 Warsaw. (Cotswold and Somerset stone matches that used in Nowy Swiat, the main shopping street in the Polish capital.)

Now the traffic goes the other way, a process which in fact started long before the collapse of communism. The Czechs offered a town ruined by pollution in northern Bohemia as a film set for the second world war, which saved on demolition costs.

But things are now getting out of hand. French television, I read in *Le Monde's* radio and television

guide, is making a series about the life of Karl Marx: "You descend the tortuous little street, lined with shops - to the left a *Greengrocer*, to the right a *Pawnshop*..." We are in the middle of Soho, in London."

It turns out that we are in fact in Prague. The French production team chose the Czech capital because it was cheap. But Prague as London? Could that series ever be shown in Britain without arousing profound scepticism? Could *Maigret* be shown in France?

Nowhere in that country is there to be found that nasty colour I think of as Habsburg yellow, nor those bright green shutters of the Hungarian countryside.

Will there now be tourists looking for those curious features in France and feeling that somehow the French have got it all wrong? This may be a roundabout way

of making the familiar point that today the fake has more impact than the real. I recall American tourists in Bad Wimpfen in Baden-Württemberg who were disappointed to discover that this archetypal Hansel-and-Gretel gingerbread town was for real and not the bit of Disneyland it should have been.

But there is more to it than that. There is the problem of the way public images can infect the way we see places. Provence has gained a new and horrid haze for the British because of a television series based on the celebrated *A Year in Provence* by Peter Mayle who recounted his experiences among local "characters."

They now doubtless try to supply Mayle-ordered local colour to tourists who flock there by the thousand.

On the other hand there are the benefits of seeing the familiar through new eyes. I collect foreign tourism-related articles about Britain.

This started when I saw a photograph in a German paper of a picnic so idyllic that it must have been the inspiration for some *déjeuner-sur-l'herbe* masterpiece. But the caption told me it was Wiltshire, by the Kennet canal.

Thanks to the weekend colour section of the *Frankfurter Allgemeine Zeitung* I am now reconciled to the Scottish Highlands.

The German gift for black-and-white photography reversed a prejudice based on a profound distaste for the publicity placed by the Highland and Islands authority in London underground trains. This portrays a ghastly

sun-drenched vivid mountain greenery. The FAZ banished all Mediterranean pretension. A friend from that part of the world remarked: "That's the first time I've seen Eilean Donan castle taken from the right angle."

The text was corny but interesting, revolving around the song about taking the low road and being in Scotland first.

But it linked one Eilean of the Buchanan Highland Hotel near Loch Lomond with Buchanan County, Missouri, and told a good story of Scottish social history.

The cover picture of two children and a sheepdog was captioned: "Eight on the edge of Europe where there are still sea monsters and the unlimited dreams of children: there lie the Scottish Highlands."

I liked that.

What a pity it is, then, that if German television were now to remake Schiller's *Maria Stuart* they would undoubtedly film it in Ukraine.

■ James Morgan is economics correspondent of the BBC World Service.

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